

Pharmaceutical Marketing and Promotion (Phar 4214)

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Introduction to Principles of Marketing



Brain Storming/Reflections

**When you hear the term ‘Marketing’, and ‘Market’,
what comes to your mind?**

Why marketing is important for pharmacists?

Chapter objectives

- At the end of this chapter, students expected to;
 - Define, market, marketing and related terms
 - Describe the general principles/concepts/ of marketing
 - Compare marketing philosophies and their assumptions
 - Describe the role marketing plays in facilitating the exchange of value
 - Analyze the pharmaceutical marketing environment
 - Understand market research and conducting situational analysis

Introduction

- Many large and small organizations **seek success**
 - Myriad factors contribute to making business successful
 - Strategy
 - Dedicated employees
 - Good information systems
 - Excellent implementation
 - Knowledge and use of marketing provides success to the company
 - Competition,
 - Penetration into new markets
 - Conquest of customers
 - Ultimately achievement of the objectives aimed at making profit

Introduction...

- Today's successful companies at all levels have one thing in common;
 - Strongly **customer-focused** and heavily committed to marketing
 - Share an absolute dedication to sensing, serving and satisfying the needs of customers
 - **Motivate everyone in the organization** to deliver high quality and superior value for their customers
 - Leading to high levels of **customer satisfaction**
 - Know that if they take care of their customers, market share and profits will follow

Definitions of Marketing and market

- Marketing and market defined in various ways by different scholars
- According to **Philip Kotler**;
 - Marketing is a **social and managerial process** by which individuals and groups obtain what they **need** and **want** through **creating, offering** and **exchanging** products of value with others.
- **American Marketing Association (AMA)**
 - “Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that **satisfy individual and organizational objectives**”

Definitions of Marketing and market...

- Marketing is a process that aims to meet the needs of individuals and groups while making a profit.
 - It is social and management process that eventually helps to realize the objectives of the Organization

Definitions of Marketing and market...

- Marketing is the **performance of business activities** that direct the **flow of goods** and **services** from the producer to the customer
- Marketing is a **set of activities** related to **creating, communicating, delivering,** and **exchanging offerings** that have value for others
- Marketing, deals with customers
 - Creating customer value and satisfaction
- Many people think of marketing only as **selling** and **advertising**
 - i.e. **telling** and **selling**- An old sense of making

Definitions of Marketing and Market...

- Marketing is the art of creating and satisfying customers at a profit
- Marketing is getting;
 - Right goods and services
 - To the right people
 - At the right places
 - At the right time
 - At the right price
 - With the right communication and promotion

Definitions of Marketing and market...

- Marketing is complex set of activities and strategies that influences
 - Where we live
 - What we wear
 - How we conduct business, and
 - How we spend our time and money
- Marketing activities are conducted in an environment that changes quickly both in terms of customer demand and the methods by which consumers obtain information and make purchases.

Definitions of Marketing and market...

- **Pharmaceutical marketing:**
 - Sub-speciality of marketing
 - Sometimes called medico-marketing
 - Defined as a process, by which **market for pharmaceutical care is actualized**
 - It encompasses all the activities carried out by various individuals or organizations to **actualize markets for pharmaceutical care**
 - Plays a key role influencing or directing activities from the manufacturer to the patient

Definitions of Marketing and market....

- **Market:**
 - Place or area, in which buyers and sellers function
 - Place where buyers and sellers meet, products or services are offered for sale, and transfers of ownership occur
 - People or organizations wants (needs) to satisfy, money to spend, and willingness to spend it
 - It is demand made by certain group of potential buyers for a product or service
 - Aggregate demand of the potential buyers of a commodity or service

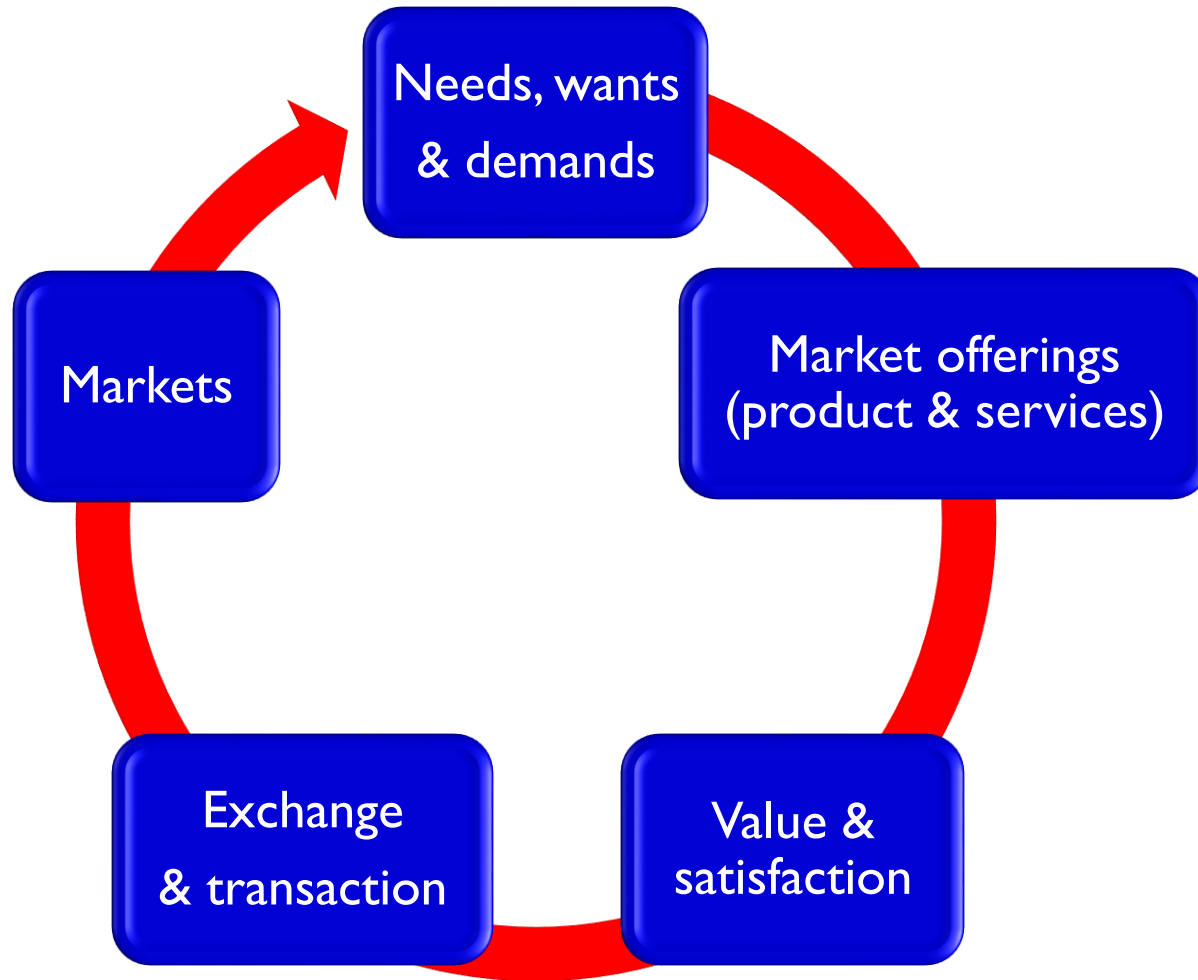
Definitions of Marketing and market....

- **Market basic elements:**
 - Demand
 - Supply and
 - Price

Core Concepts of Marketing

- Marketing always begins and ends with customers
- It tries to fulfill the needs and wants of the customers better than the competitors do
- The focus of marketing is customer satisfaction

Core Marketing concepts



Core concepts of Marketing...

- **Needs**

- **State of felt deprivation** for basic items such as food and clothing and complex needs such as the need for belonging
- Basic human requirements
 - Inherent to human existence
- Needs are not created by marketers
 - They are basic part of the human make up
 - **Example:** One needs food and wants pizza, needs clothing and wants Raymond shirt

Core concepts of Marketing...

- **Want**

- ✓ Are desires for **specific satisfiers of needs**
- ✓ The form that a human need takes as shaped by culture and individual personality
- ✓ Needs becomes wants when they are directed to specific objectives that might satisfy the need
- ✓ Human wants are continually shaped and reshaped by;
 - Culture
 - Social forces and
 - Institutions (churches, schools, families....)

- Needs and Wants are fulfilled through a **marketing offer**

- Some combination of products, services, information, or experiences offered to a market to satisfy a need or want.

Core concepts of Marketing...

- **Demand**

- Human wants that are backed by buying power
- **Ability** and **willingness to buy** the Product/service and should be supported by **purchasing power**
 - Wants for specific products that are **backed up by an ability and willingness to buy**
- Companies and marketers must therefore measure not only how many people wants their products;
 - More importantly, how many would actually be willing and able to buy it
 - **Example:** Many people want to buy luxury car but they lack in purchasing power

Core concepts of Marketing...

- Marketers *do not create need*, they simply *influence wants*
 - Suggest to consumers that a particular product or brand would satisfy a person's need for social status
 - Do not create the need for social status
 - Try to point out that a particular product would satisfy that need
 - Try to influence demand by making the product attractive, affordable, and easily available

Core concepts of Marketing...

- **Products**

- People satisfy their needs and wants with products
- Product are ***anything that can be offered to someone (market) to satisfy a need or want***
- It can be **goods** or **services**
 - The expression products and services are used distinguish between **physical objects** and **intangible** ones

Core concepts of Marketing...

- **Market offerings**
 - Combination of **product, service, ideas, information, place, events** and **persons** offered to the market to satisfy needs and wants
- Consumers choose among the products a particular product that give them
 - **Maximum value** and
 - **Satisfaction** (that deliver the maximum value)

Value, cost, and satisfaction

- **Value:** is the customers' estimates of the product's capacity to satisfy a set of goals
- **Customer value (CV)**
 - The consumer's assessment of the product's overall capacity to satisfy his or her needs.
 - It is the difference between the value the **customers gains** from owning and using a product and the **cost** of obtaining the product.
 - In short: $CV = CG - CC$
 - CV = customer value
 - CG = customer gain
 - CC = customer cost

Value, cost, and satisfaction...

- **Customer satisfaction:**
 - The extent to which a product's perceived performance matches a buyers expectations.
 - If the product's performance falls shore of expectations, the buyer is dissatisfied.
 - If performance matches or exceeds expectations the buyer is satisfied, or delighted
- **N.B:** Marketer task is to increase or maximize the customer value
 - This can be done in several ways:
 - ✓ Raise the benefit
 - ✓ Reduce the cost

Exchange, Transactions and Relationships

- Marketing emerges when people decide to satisfy needs and wants through exchange
- **Exchange** is one of the four ways people can obtain products they want
- **Four ways of obtaining the product**
 - Self production
 - Hunting/fishing
 - Donation/charity and,
 - Exchange

Exchange, transactions and relationships...

- **Self production**

- People can relieve hunger through hunting, fishing, or fruit gathering
 - In this case, there is **no market or marketing**

- **Coercion**

- Hungry people can steal food from others
- Still, there is no marketing and market

- **Begging**

- Hungry people can approach others and beg for food
- Nothing tangible to offer except gratitude

Exchange, transactions and relationships...

- **Exchange**

- Hungry people can approach others and offer some resource in exchange, such as money, another food, or service
- Marketing arises from this approach (*exchange*) to acquire products
- **Exchange** is the act of **obtaining a desired product** from someone by **offering something in return**

Exchange, transactions and relationships...

- For exchange to take place, five conditions must be satisfied:
 - Two or more parties
 - Each party has something of *value to the other party*
 - Each party is can communicate and deliver
 - Each party is *free to accept or reject the offer*
 - Each party believes it is *appropriate or desirable to deal with the other party*
- Exchange is described as a *value creating process*
 - Leaves both the parties better off than before the exchange

Exchange, transactions and relationships...

- Two parties are said to be engaged in exchange if they are *negotiating* and moving towards an agreement.
- **Negotiation:** Process of trying to arrive at naturally agreeable terms
- If an agreement is reached, we say that **transaction** takes place
- **Transactions:**
 - A trade between two parties that involves ***at least two things of value, agreed-upon conditions, a time of agreement and a place of agreement***
 - They are the basic unit of exchange

Exchange, transactions and relationships...

- **Transaction:**

- They are the basic unit of exchange
- Transaction consists of a trade of values *between two parties*.
- It involves several dimensions;
 - At least two things of value
 - Agreed upon conditions
 - Time & place of agreement
- Transaction differs from transfer
 - In a transfer A gives X to B but does not receive anything tangible in return
 - When A gives B a gift, a subsidy, or a charitable contribution, we call this a transfer

Exchange, transactions and relationships...

- Transaction marketing is a part of longer idea, that of *relationship marketing*
 - Build an emotional connection
- Smart marketers try to build up long term, trusting, **‘win-win’ relationships** with customers, distributors, dealers and suppliers
 - Accomplished by promising and delivering high quality, good service and fair prices to the other party over time
- **Relationship marketing** cuts down on transaction costs and time

Exchange, transactions and relationships...

- The ultimate outcome of relationship marketing is building unique company asset called **marketing network**.
- **Marketing network**
 - Consists of the company and the firms with which it has built solid, dependable business relationships
- **Market**
 - The concept of exchange leads to the concept of market
 - Market consists of **all the potential customers sharing a particular need or want who might be willing and able to engage in exchange to satisfy that need or want**

Exchange, transactions and relationships...

- Originally the term market stood for the place where buyers and sellers gathered to exchange their goods
- Economists use the term market to refer to a ***collection of buyers and sellers who transact over a particular product or product class***
- Marketers, however, see the ***sellers as constituting the industry*** and the ***buyers as constituting the market***

Marketing, Marketers, and Marketing management

- The concept of markets bring the full circle to the concept of marketing
- **Marketing:**
 - Human activities taking place in relation to markets
 - Working with markets to actualize potential exchanges for the purpose of satisfying human needs and wants
- If one party is more actively seeking an exchange than the other party, we call the first party a **marketer** and the second party a **prospect**

Marketing, Marketers, and Marketing management

- **Marketer:**
 - Someone seeking a resource from someone and willing to offer something of value in exchange
 - Seeking a response from the other party, either to sell something or to buy something
 - Can be a **seller or a buyer**
- In the normal situation, the marketer is a company serving a market of end users in the face of competitors

Marketing, marketers, and marketing management...

- **Marketing Management:**

- It is the art and science of choosing and target markets and building profitable prelateships with them
- **According to American Marketing Association (AMA):**
 - **‘Marketing management’** is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives’

Marketing, marketers, and marketing management...

- Marketing management is a process involving analysis, planning, implementation, and control;
 - Ideas, goods and services; that it rests on the notion of exchange
- The goal is to produce satisfaction for the parties involved

Marketing vs. Selling

Point of distinction	Selling	Marketing
Emphasis	•Emphasis on how to sell the product by persuading customers to buy. •It stresses on the needs of the sellers.	•It determines the customer's wants and then thinks how to deliver want satisfying products. •It stresses on the needs of the buyers.
Planning	•Planning is short run	•Planning is long run
Management	•Management is sales oriented.	•Management is profit oriented.

Philosophies of Marketing

Marketing management philosophies

- Firms vary in their perceptions about business, and their orientations to the market place
 - This has led to the emergence of many different concepts of marketing
 - Marketing activities should be carried out under some well-thought out philosophy of efficient, effective, and responsible marketing
 - There are six competing concepts under which organizations conduct their marketing activity

Philosophies of Marketing...

- **I. Exchange concept**

- Holds that the exchange of a product between the seller and the buyer is the central idea of marketing
- While exchange does form a significant part of marketing, to view marketing as more exchange will result in missing out the essence of marketing
 - Marketing is much broader than exchange
- Exchange, at best, covers the distribution aspect and the price mechanism

Philosophies of Marketing...

- **2. Production concept**

- One of the oldest concepts guiding sellers
- Holds that customers will favor those products that are **widely available** and highly affordable (**low in cost**)
- Assume that consumers are primarily interested in product availability and low price

❖ **“Consumers will buy whatever we produce”**

Philosophies of Marketing...

- Holds in at least two types of situations
 - The first is where the **demand for a product exceeds supply**
 - Consumers are more interested in obtaining the product than in its fine points
 - Suppliers will concentrate on finding ways to increase production
 - The second situation is where the **product's cost is high**
 - Has to be brought down through increased productivity to expand the market.
- Managers of production-oriented organizations concentrate on achieving *high production efficiency* and *wide distribution coverage*

Philosophies of Marketing...

• 3. Product concept

- Slight modification of production concept
- Holds that consumers will favor those products that offer *quality or performance*.
- Organizations focus their energy on making good products and improving them over time
- Managers assume that buyers admire well-made product and can appraise product quality and performance.
- Leads to “*marketing myopia*”, an undue concentration on the product rather than the need.
 - Focus on the “wants” and lose sight of the “needs.”

Philosophies of Marketing...

• 4. Selling concept

- Evolved from the failure of production and product concept
- It is based on the idea that people will buy more goods and services if aggressive methods are used.
 - If consumers are “*left alone*”, they will not buy enough of the organization product.
 - Organization should undertake **aggressive promotion and selling**
 - Consumers typically show buying inertia or resistance and have to be coaxed into buying more
 - Effective selling and promotion tools to stimulate more buying.

Philosophies of Marketing...

- The concept is typically practiced with **unsought goods**
 - Those that buyers do not normally think of buying
- The selling concept takes an **inside-out perspective**
 - It starts with the factory, focuses on the company's existing products and calls for heavy selling and promotion to obtain profitable sales.
 - It focuses on customer conquest – getting short-term sales with little concern about who buys or why

Philosophies of Marketing...

• 5. Marketing concept

- Holds that the key to achieving organizational goals consists in determining the **needs and wants** of target markets and
- Delivering the desired satisfactions more effectively and efficiently than competitors
- It takes an **outside-in perspective**
 - It starts with a well-defined market, focuses on customer needs, coordinates all the marketing activities affecting customers and makes profits by creating long-term customer relationships based on customer value and satisfaction
 - Under the marketing concept, customer focus and value are the paths to sales and profits.

Philosophies of Marketing...

- **6. Societal marketing concept**

- Evolved out of the movements of consumerism and environmentalism
- It holds that the organization should deliver the superior product to the market that matins the consumers and society well-being
- Calls for balancing all three considerations
 - Balances the interests of the **firm (profit), consumers (want satisfaction) and society (human welfare)**

Philosophies of Marketing...

- Organization's task
 - Determine the needs, wants, and interests of target markets and
 - Deliver the desired satisfactions more effectively and efficiently than competitors in a way that preserves or enhances the consumer's and the society's well-being.
- Calls upon marketers to balance three considerations in setting their marketing policies, namely;
 - Company profits
 - Consumer want satisfaction and,
 - Public interest

Functions of marketing

- Functions of marketing are divided into four groups
 - **Research function**
 - Research of market, consumer, product, and forming a structure
 - **Production function**
 - Organizing the production of new products
 - Working out new technologies
 - Management of quality and products competitiveness
 - **Sale market function**
 - Organizing the distribution, service, promotion
 - Carrying out purposeful commodity and price policy

Functions of marketing...

- **Management and control function**

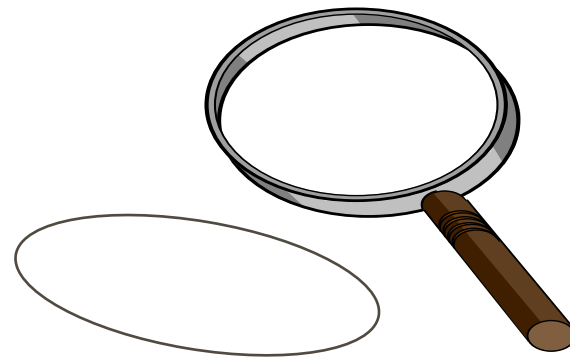
- Strategic planning
- Control of marketing
- Promotion system
- Marketing management

THE ROLE OF MARKETING



Pharmaceutical Marketing Research

‘Improving Decision with Marketing Information’



Marketing Research

- The constantly changing pharmaceutical market environment characterized by;
 - Vast R & D costs
 - Heightened competition
 - Increased regulation and,
 - Ever more demanding consumers

Marketing research...

- Pharmaceutical marketers are called upon daily to make critical judgments and decisions
 - They evaluate;
 - Market's potential
 - Possible influence of new government regulatory restrictions
 - Effect of price lowering by competitors or
 - New products satisfies the needs of prescribers and patients

Marketing Research...

- Companies rely on **accurate** and **detailed information** describing the factors affecting their business operating environment
 - Achieved by using **marketing research and information**
- **Marketing information and marketing research**
 - Are tools that organizations **use to understand what's happening in the markets they serve**
 - Enable to **gain insights into what your customers want and how you can give them value**

Marketing Research...

- Using marketing, the manufacturer or wholesale and retail enterprise plans;
 - What to produce
 - Where to distribute goods
 - What price to establish, etc.
- For this purpose, it is necessary to;
 - Know the potential buyer,
 - Its opportunities,
 - Preference, and
 - Also to have data about presence of the similar goods on the market, about a demand condition for it, etc.
 - Such information receive by **marketing research**.

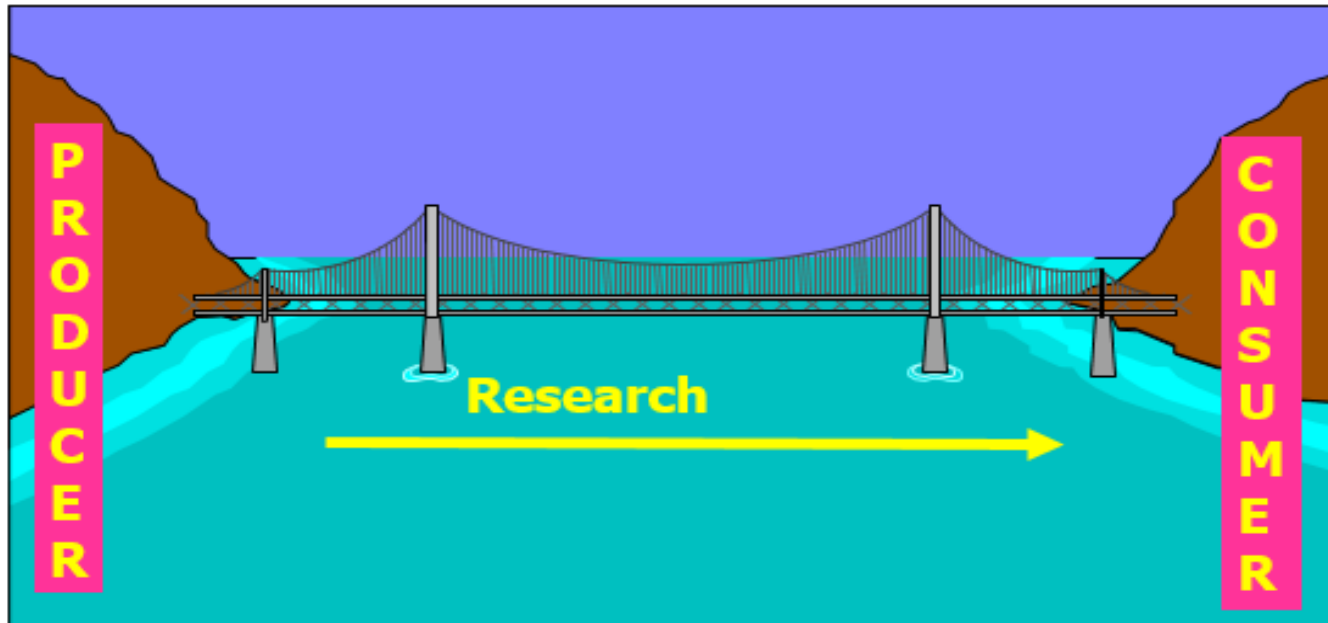
Marketing Research...

Information is the interpretation link among environmental events, company resources, customers.



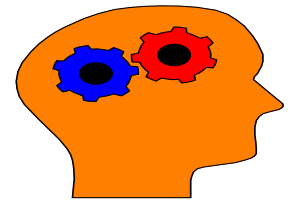
Marketing Research...

Research supports planning, organizing & control efforts to understand marketplace reaction to company efforts



Research links the **producer** and **customer** to the market through information.

What is marketing research?



- **Marketing research**

- **Systematic process** for identifying marketing opportunities and solving marketing problems using customer insights derived from the **collection and analysis of marketing information.**
- **Communicative channel** by which connection with an environment is established
- Systematic & objective **process of generating information for use in marketing decisions**
- Guided by the **scientific method**, a decision-making approach that focuses on being objective and orderly in testing ideas before accepting them

What is marketing research...?

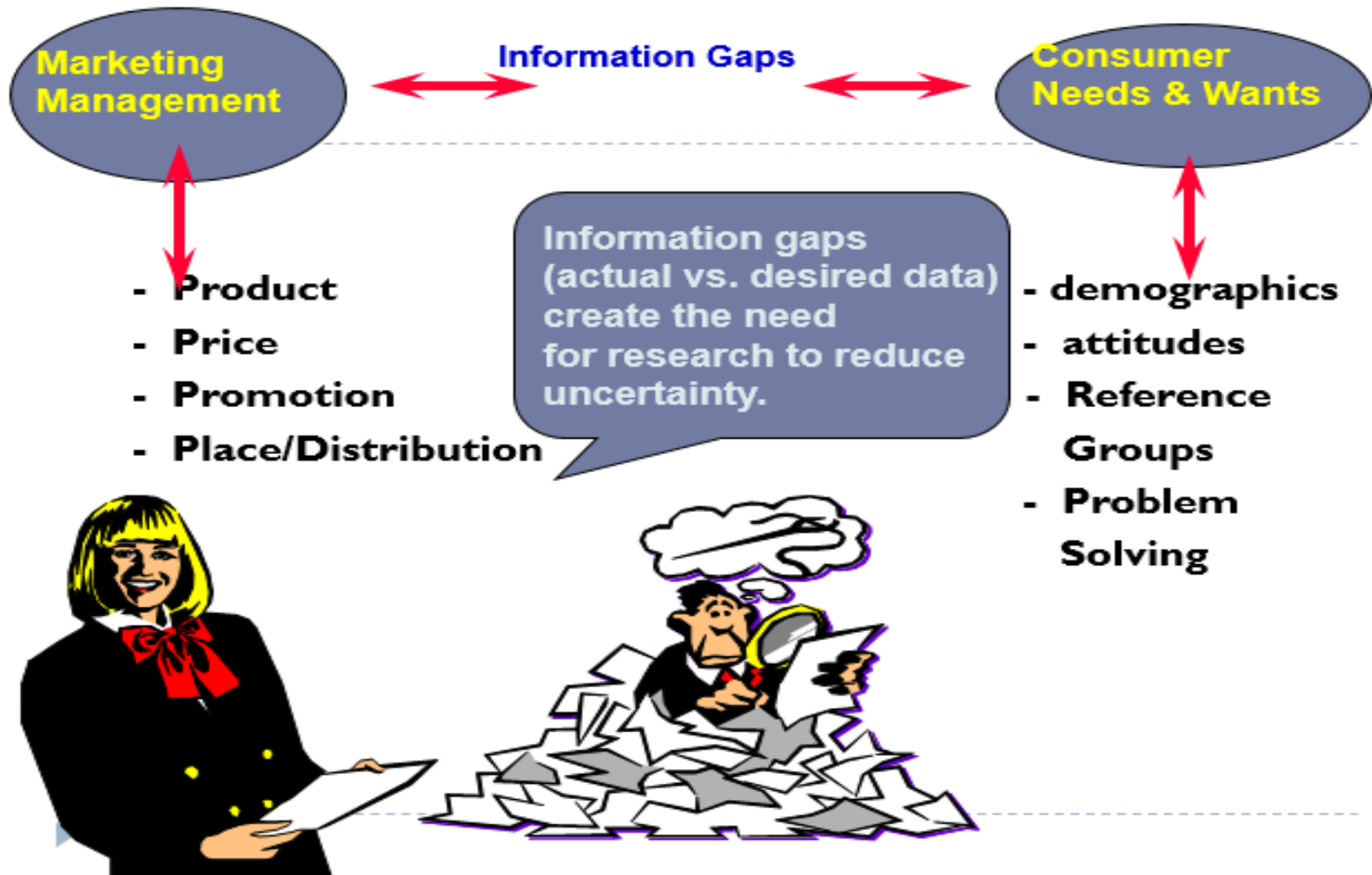
- Marketing research **connects the organization with consumers through the information**
 - Directed on regular **gathering, reflection and analysis of the information** concerning;
 - ✓ Needs, opinions
 - ✓ Motivations
 - ✓ Relations
 - ✓ Behavior of separate persons and the organizations for the purpose of proved **marketing decisions' acceptance.**

Marketing Research...

- **Marketing research**

- Identifies the problem to be solved
- The opportunity to be explored
- The information required to address research questions
- It also involves processes for
 - Collecting the information,
 - Analyzing it
 - Identifying insights, and
 - Reporting findings and recommendations to those who will take action based on the results

Marketing Research...



Types of Market Research

- **By Source**

- Primary
- Secondary

- **By Methodology**

- Quantitative
- Qualitative

- **By Objectives**

- Exploratory
- Descriptive
- Causal (or experimental)

Marketing Research...

Types of research

Objective

- | | |
|---------------------------|--|
| 1. Basic/pure/fundamental | ----- to formulate theories, laws & principles |
| 2. Descriptive | ----- fact finding |
| 3. Applied research | ----- to solve practical problems |
| 4. Explanatory | ----- cause and effect |

Importance of marketing research

- Provides valuable data
- Studies consumers behavior
- Selects promotional techniques
- Supplies marketing information
- Evaluates marketing performances

Marketing Research...

- **Common subjects for marketing research include:**
 - Environmental factors and how they affect consumer behavior
 - Customer attitudes, behaviors, and perceptions
 - Product research
 - Marketing, advertising, and promotion research
 - Corporate research

Pharmaceutical Marketing Research Subjects

- **Prescribers...** Need analysis, new product assessment
- **Patients...** Compliance survey
- **Wholesaler...** Attitude survey on return policy
- **Retail Pharmacy...** Inventory and stocking, attitude survey on
competitive products
- **Hospital Pharmacy...** Product route of administration preferred
- **Competitor...** Sales performance
- **Industry/Market...** Market share analysis
- **Public...** Attitudes survey on child proof medication packaging

Pharmaceutical Marketing Research...

- **Pharmaceutical marketing research**
 - Research spent in three directions:
 - Research of ***macro, microenvironment and internal environment*** of the enterprise
- ***Studying of microenvironment factors***
 - Study their tendencies and influence on enterprise activity
 - Allow to define its strategy
 - To allocate perspective directions for work on the market

Pharmaceutical Marketing Research...

- **Marketing research of a microenvironment**
 - Study the **market, competitors, consumers, goods, prices, distribution systems**
 - Concrete result of marketing research take place at a choice of strategy and tactics of enterprise's marketing activity

Market Research Vs Marketing Research

- **Market Research**

- Most widespread direction in marketing research
- Researching the immediate competitive environment of the marketplace, including;
 - ✓ Customers
 - ✓ Competitors, suppliers
 - ✓ Distributors and retailers

- **Marketing Research-** Includes all the above plus:

- Companies and their strategies for products and markets
- The wider environment within which the firm operates (e.g. political, social, etc.)

Pharmaceutical Marketing Research...

- **Objects of market research**

- Are tendencies and processes on the market which include;
 - ✓ Economic changes analysis
 - ✓ Scientific and technical, demographic, ecological & legislative factors
 - ✓ Forecasts of its development
 - ✓ Definition of key success factors
 - ✓ Market segmentation, choice of the target markets and market niche

Pharmaceutical Marketing Research...

- **Research of consumers**

- Allows to define factors of consumers choice of goods (incomes, social status, age, sex, education)
- Consumption structure, goods security, consumer demand tendencies

- **Research of competitors**

- Consists in reception of necessary data for maintenance of competitive advantages on the market and also to find cooperation possibilities
- Analyzed strength and weaknesses of competitors, their market share, work with goods, changes of prices, advertising campaigns

Pharmaceutical Marketing Research...

- The **material, financial, labor potential** of competitors, the organization of management are studied
- The choice of ways and possibilities of achievement of the most convenient position in the market concerning competitors becomes result of such research.

Pharmaceutical Marketing Research...

- **Studying of firm structure of the market**
 - Carried out for the purpose of reception of the information on possible intermediaries, and
 - Transport and forwarding, advertising, insurance, legal, financial, consulting and other companies and organizations creating a marketing infrastructure of the market

Pharmaceutical Marketing Research...

- **Research of distribution and sales**
 - Provides determining of the most effective ways and means of the fastest selling of goods to the consumer
 - Research include;
 - Analysis of functions and features of wholesalers and retailers activity, their relationship with manufacturers
 - Studying of intermediaries
 - Studying of suppliers

Pharmaceutical Marketing Research...

- **Research of marketing communications system**
 - Allows to develop public relations policy
 - To create the favorable relation to the enterprise, its goods
 - To define methods of consumer demand formation
 - To influence on suppliers and intermediaries
 - To raise efficiency of communicative connections
- ***Research of the internal environment of the enterprise***
 - Define real competitiveness level of the enterprise as a result of comparison of corresponding factors of the external and internal environment.
 - Analyze manufacture, sale, management, marketing, and finance

Steps in Pharmaceutical Marketing Research

1. Defining the problem
2. Analysing the situation
3. Getting problem specific data
4. Interpreting the data
5. Solving the problem

Steps in Marketing Research...

- **I. Defining the problem**

- Often the most difficult step in marketing research process
- Important for the objective of the research to be clearly defined
- Don't confuse problems with symptoms
- Develop list of research questions that could be narrowed down to the final research objective in the situation analysis step

Steps in Marketing Research...

▶ 2. Analysing the situation

- ▶ Definition is **exploratory research**
- ▶ Is an informal study of what information is already available in the problem area
- ▶ Marketing research relies on two broad data sources
 - ▶ Primary Data
 - ▶ Secondary Data

Steps in Marketing Research...

Table 5.4: Pharmaceutical Market Data Sources

Primary: information derived from research specifically designed to answer a particular set of questions

Observation	Company audits	
	Hospital audits	
	Retail audits	Intercontinental Medical Statistics (IMS)
	Trade shows	Medical society congresses
	Want ads	
	Reverse engineering	
	Hiring key employees	
	Plant tours	
Experimentation	Market testing	
Questioning	Mail survey	Physicians or patients
	Telephone survey	Physicians or patients
	Personal interview	Sales force, Suppliers, Physicians, Pharmacists, Employees, Consultants
	Focus group	Physicians, Nurses, Pharmacists, Patients, Patient families

Steps in Marketing Research...

Secondary: information already collected by someone else for another reason

Internal	R&D	Scientific publications
	Marketing	Marketing plans
	Sales	Sales force reports
	Other	Patent databases, Job applicants
External	Trade press	<i>Pharmaceutical Executive, Applied Clinical Trials, Pharma. Business, SCRIP</i>
	Medical press	Medical research journals, News journals
	Lay press	Newspaper articles, Newspaper publishers, TV and radio stations, Business publications (<i>Forbes, The Wall Street Journal, Business Week, Fortune, Financial Times, The Economist</i>), Clipping services
	Books	Science, Technology, Marketing, Management, Biographies
	Databases	Moody's, Dun & Bradstreet, Financial Times
	Government	Health department, Patent office, Census department, Pricing, Reimbursement, Formulary committees
	Trade Associations	Prescribers, Manufacturers, Wholesalers, Pharmacists, Nurses
	Universities	Medical department organizing a satellite symposium backed by the competitor, or a business department holding a case study library
	Chamber of Commerce	
	Investment bankers	Bank reports
	Libraries	
	Internet	Medicine- and pharmacy-related sites, patient sites
	Consultants	Industry reports, reviews, white papers, articles and case studies.
	Customers	Direct information from various customers (see Trade)
	Competitor's	Annual reports, Stock Exchange reports (10Ks), Shareholder meetings, Investor's information, Web site, Press kits, Press releases, Promotional material, Advertising, Employee newsletters

3. Getting problem specific data

Figure 5.4. Marketing research categories



Table 5.3: Quantitative vs. Qualitative Research

Characteristic	Quantitative	Qualitative
Question nature	"How many"	"Why" the customer behavior, what if
Research nature	Quantity-defining	Exploratory
Focus	Historic	Future
Findings' nature	Objective, measurable	In-depth, subjective, hard to measure
Findings	Numbers	Opinions, beliefs, attitudes, motivations, and dispositions
Sample size	Large	Small

Getting problem specific data..

Table 5.2: Primary and Secondary Research Data Collection Methods

<u>Secondary</u>			
Internal		External	
Sales force		Books	
Marketing		Journals	
R&D		Government	
Legal		Consultants	
Manufacturing		Media	
Trade		Motion detector	
<u>Primary</u>			
Observation	Survey	Simulation	Experiment
TV monitoring	Personal interview	Health foods outlet	Taste test
Scanner-based	Phone interview		Control method
Eye-tracking	Mail survey		Standard test
Pupilometer	Internet survey		
Psychogalvanometer	Mall intercept		
	Home interview		
	Questionnaire		

4. Interpreting the Data

- After collecting the data it should be analysed to decide *what it all means*
- Involves the use of statistical package
 - Is your sample really representative?
 - Validity problems can destroy research
 - Be sure that the research data really measures what it is supposed to measure
 - Poor interpretation can destroy research
 - Happens when one does not understand the management problem
 - Ethics involved in interpreting and presenting results
 - Many involve hidden details

5. Solving the problem

- When the research process is finished, the marketing manager should be able to apply the findings in marketing strategy planning
 - The choice of the target market or the Marketing mix (4 P's)
- If the research does not provide information to help guide these decisions, the company has wasted research time and money.

Pharmaceutical marketing research

- **Results of Pharmaceutical marketing research**
 - To develop own assortment of goods according to consumers needs
 - To raise their competitiveness
 - To define directions of activity depending on different stages of product life cycle
 - To find idea and to develop new goods
 - To improve marketing
 - To develop corporate style
 - To define patent protection means

Marketing information system (MIS)

- **MIS:**
 - Set of procedures and methods designed to generate, analyze, disseminate, and store anticipated marketing decision information on a regular, continuous basis
- Information system can be used;
 - Operationally
 - Managerially, and
 - Strategically for several aspects of marketing

MIS...

- **Advantages of MIS**

- Organized data collection
- Broad perspective
- Storage of important data
- Avoidance of crises
- Coordinated marketing plans
- Speed in obtaining sufficient information to make decisions
- Data amassed and kept over several time periods
- Ability to do a cost-benefit analysis

MIS...

- The information needed by marketing managers comes from three main sources:
 - 1. **Internal company information**
 - **Example:** Sales, orders, customer profiles, stocks, customer service reports etc.
 - 2. **Marketing intelligence**
 - Can be information gathered from many sources, including suppliers, customers, and distributors

MIS...

- **3. Market research**

- Sources of market intelligence cannot always be relied upon to provide relevant or up-to-date information (particularly for smaller or niche market segments).
- In such circumstances, businesses often need to undertake specific studies to support their marketing strategy

Market Segmentation, Targeting and Positioning

Market segmentation

- Process of **dividing the total heterogeneous market** for a product into several segments
 - Division of the total market into smaller, relatively homogenous groups
- It is a customer-oriented philosophy
 - Consistent with the marketing concept
- Management selects one or more of these market segments as the organization's target market
- It involves;
 - Choosing a group within the population
 - Aligning a product or a brand with an identifiable customer group

Market segmentation...

- Identification of individuals or organizations with **similar characteristics and needs** that have significant implications for the determination of marketing strategy
- Identify the needs of the customers within a submarket (segment) and then satisfy those needs.
 - **Separate marketing mix** is developed for each segment or a group of segments

Market segmentation ...

- Value of segmentation is shown in the following positions:
 - Provides better understanding of consumers' needs
 - Understand what are they (personal characteristics, behavior in the market, etc.)
 - Provides better understanding of the competition's nature in specific markets
 - Have an opportunity to concentrate limited resources on the most favorable directions for their use
 - Development plans of marketing activities
 - Choosing a group within the population
 - Aligning a product or a brand with an identifiable customer group

Market segmentation ...

- **Reasons for segmentation in pharmaceutical market**
 - The **pharmaceutical market is not homogeneous** in their needs and wants
 - Multinational pharmaceuticals are unable to target mass, undifferentiated markets in many countries
 - Impossible to gain competitive advantage;
 - In any therapeutic category or geographical market of the world

Market segmentation ...

- **Commonly used bases for segmenting**
 - Geographic segmentation
 - Demographic segmentation.
 - Psychographic segmentation
 - Behavior towards product (product-related bases)

Market segmentation ...

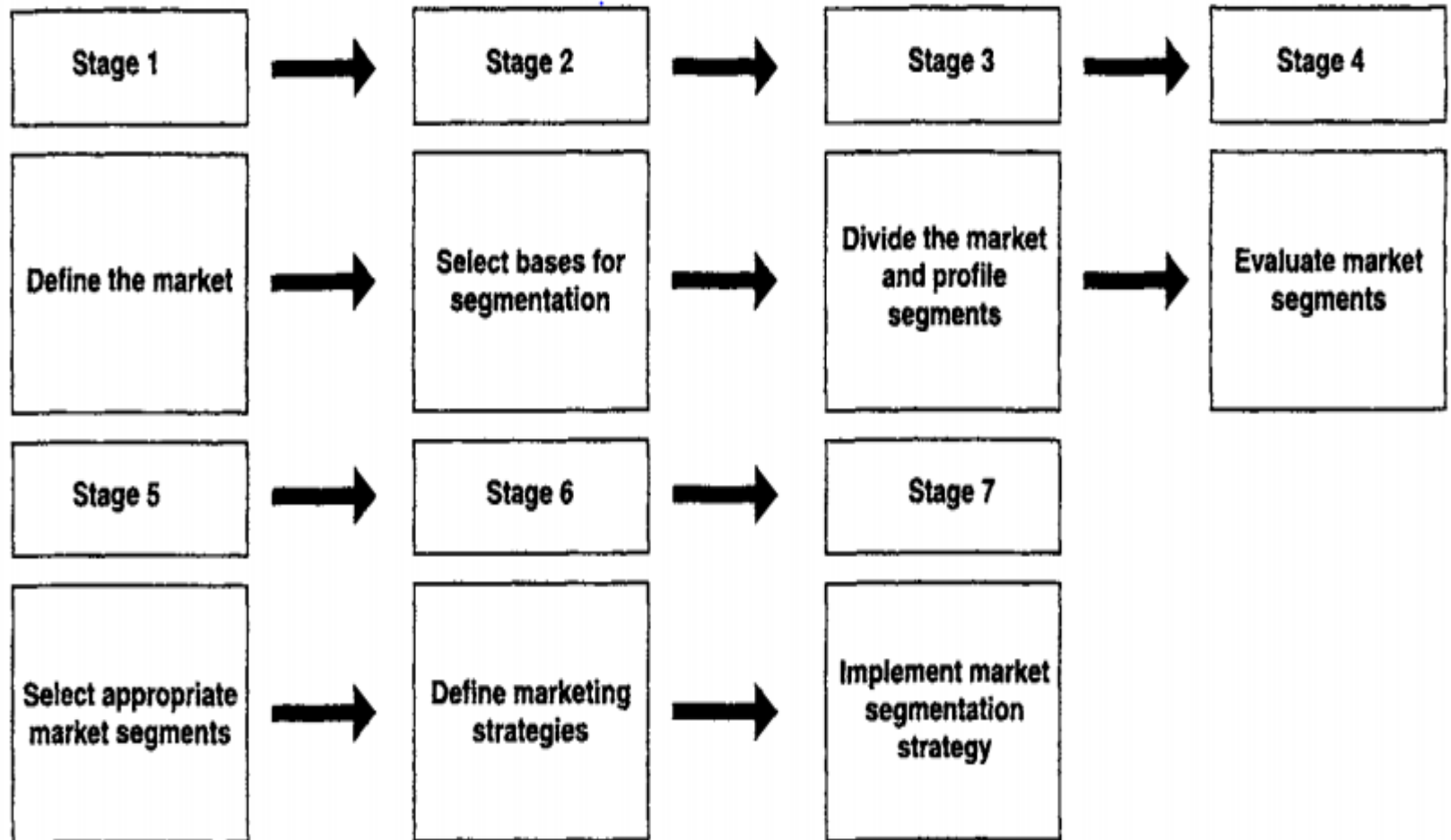


Figure: The market segmentation steps

Market segmentation ...

- **Segmentation criteria**

- Segmentation criteria used by the pharmaceutical industry are similar to those frequently used by the other
- It depends on the nature of the market
- In the study of the market of medicines, most commonly used **geographic** and **demographic** principles
 - Carried on the consumer segmentation by morbidity rate
- In terms of economic agents of the pharmaceutical market are important demographic characteristics of sex
 - Since more than half the population are women
 - In general, women use more drugs and buy it for their families

Market segmentation ...

- It is also important relation of representatives of different **age groups**
 - Population aged less 19 years and over 65 years
 - Significant proportion of medical services, consume more drugs
- The cost of drugs depend on the level of population's **income**
 - People with higher incomes have more opportunity to seek medical help, to acquire expensive products, etc.

Market segmentation ...

- For the segmentation of prescription drugs' consumers important factors such as;
 - Cause of morbidity
 - Ability to pay for treatment of a third party (budget funds or insurance company)
- **Segmentation of the organizations**
 - Consumers recommend conduction on the following criteria:
 - Type of organizations (hospitals, health centers, school and preschool);
 - Specialty (gastroenterology, cardiology, neuro-psychiatric, etc.)
 - Ownership and funding sources

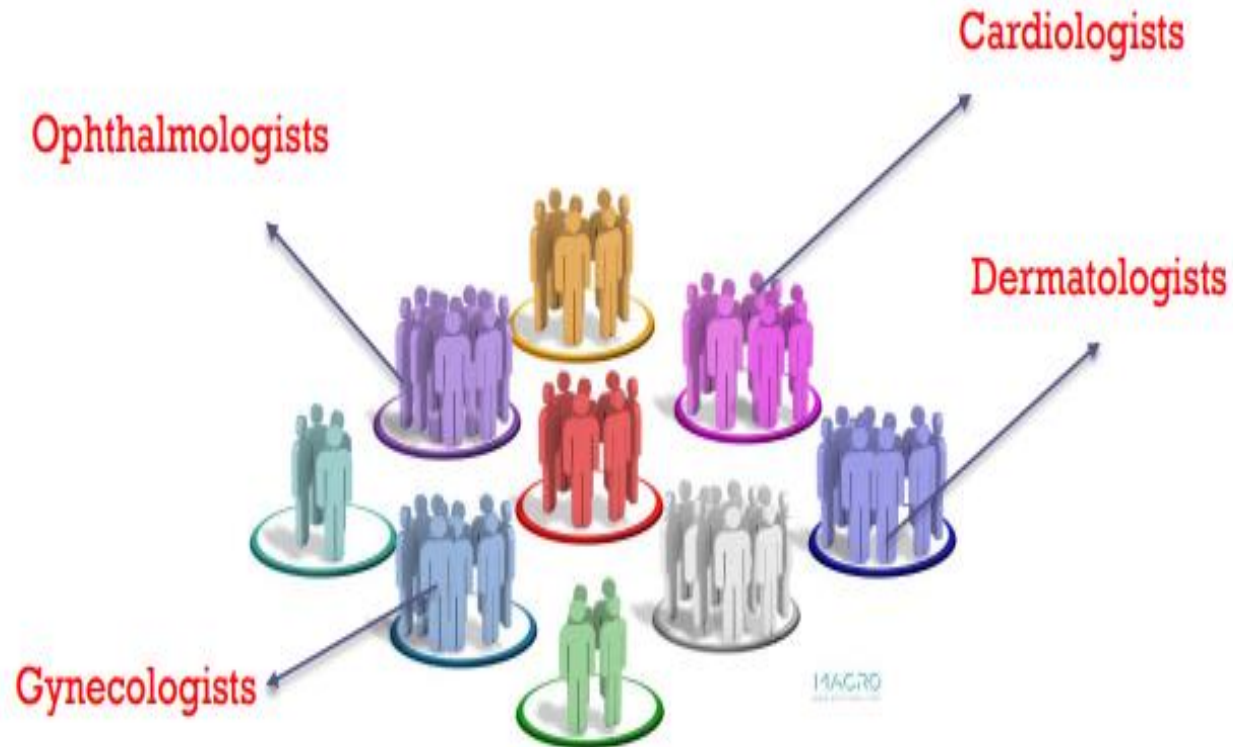
Market segmentation ...

Pharmaceutical Marketing segments
Demographic factors(age, life cycle , income , gender, etc.)
Socioeconomic factors (social class)
Geographic factors (North Vs South, urban Vs Rural , country)
Psychological factors (lifestyle, personality traits)
Consumption patterns (heavy, Moderate, Light users)
Perceptual factors (perceptions, benefit, beliefs)
Brand Loyalty patterns
Medical condition

Figure: Segmentation criteria used by the pharmaceutical industry

Market segmentation ...

- **Example:** Physicians in the market can be segmented according to medical specialty



Market segmentation ...

- **Benefits of pharmaceutical market segmentation:**
 - Designing optimal product/market matches
 - Proper promotion strategies
 - Effective advertising media allocation
 - Identifying the most appropriate distribution channels, and
 - Exploiting neglected segments

Targeting

- **Targeting the market**

- It is the process of evaluating each market segment's attractiveness and selecting one or more segments to enter
- Picking which segment from the population to market the company's product or service
 - Choosing the target customers
- Selecting specific market segments on which to concentrate the marketing effort
- It is about establishing priorities among the different market segments

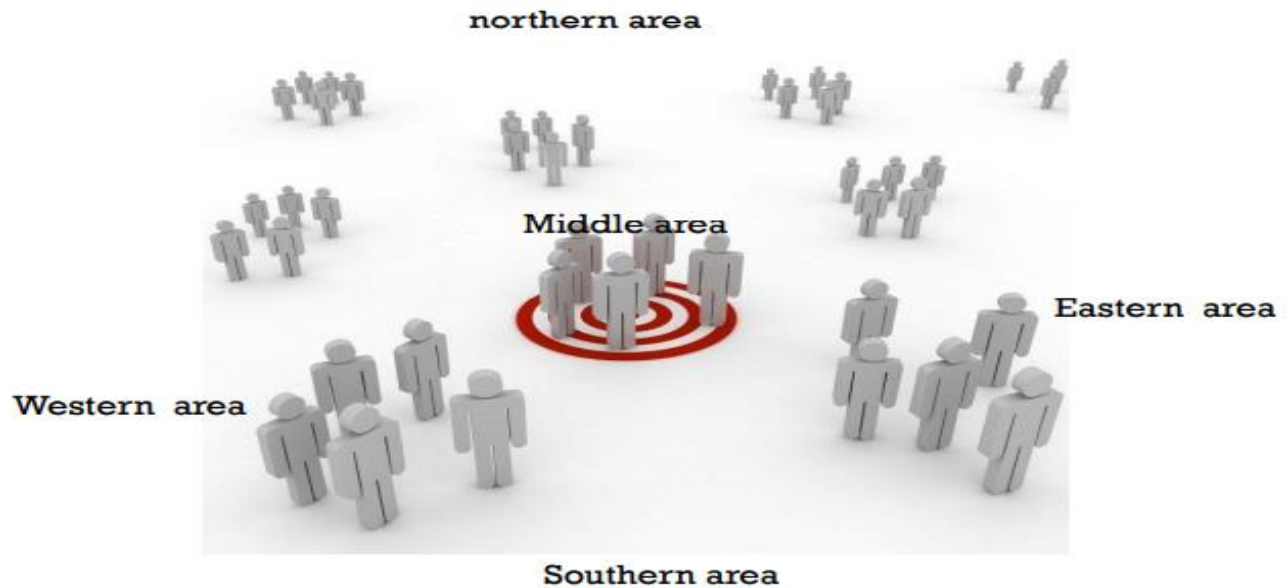
Targeting...

Example

Cardiologists



Cardiologists segmentation



Targeting...

- The practical significance have selection of **‘target market’**, **‘market window’**, **‘niche market’**
- **Target market:**
 - Set of buyers sharing common needs or characteristics that the company decides to serve
 - One or several segments selected for the marketing activity of the enterprise

Targeting...

- Three market coverage strategies:
 - **Undifferentiated marketing: Mass marketing**
 - Firm might decide to ignore market segment differences and go after the whole market with one offer
 - An organization treats its total market as a single given
 - **Differentiated marketing**
 - Firm decides to target several market segments and designs separate offers for each
 - **Concentrated Marketing**
 - Especially appealing when company resources are limited

Targeting...

- **Market ‘window’**

- Market segments that have been neglected by the manufacturers of the respective products
- Segment of consumers, which needs manufacturers neglect
- Needs are satisfied with other goods

- **Market ‘niche’**

- Segment of the market, for which the optimal are the goods of the given firm
- Market segment already occupied by a given firm



Group Exercise!!!

An X pharmaceutical company wants to introduce a new birth control pill to the market

- Who is the customer for the company?
- What segment the company should target?
- Who is the target customer?
- What segmentation criteria the company use for the customers?

Market Positioning for pharmaceutical goods

- **Positioning**

- ✓ Process of arranging for the product to **occupy a clear place relative to competing products in the minds of target consumers**
- ✓ Placing a brand in that part of the market where it will have a favorable reception compared to competing products.

- **Product position**

- It is a complex **set of perceptions, impressions and feelings** that the consumers have for the product compared with competing brands

- **Goals of product positioning**

- ✓ Create unique selling proposition and
- ✓ Fit with company's strategy

Market Positioning...

- Since the market is heterogeneous, one brand cannot make an impact on the entire market
 - The product should be matched with that segment of the market where it is most likely to succeed
 - The product should be so positioned that it stands apart from competing brands
- Positioning ***tells what the product stands for, what it is, and how the customers should evaluate it.***

Market Positioning...

- Positioning helps in differentiating the product from competitive offerings.
 - Achieved by using marketing-mix variables
 - Especially through **design** and **communication efforts**
- For pharmaceutical products, differentiation through positioning
 - More visible in OTC products,
 - It is equally true of prescription drugs
- Some products positioning can be achieved on the basis of **tangible differences**
 - e.g., product features
- Intangibles are used to differentiate and position products

Market Positioning...

- **Positioning strategies**
 - ✓ Positioning in relation to a competitor
 - ✓ Positioning in relation to a target market
 - ✓ Positioning in relation to a product class.
 - ✓ Positioning by price and quality
- Opportunities for positioning of medical product
 - ✓ On the basis of **specific properties** (force of action, by effects, etc.)
 - ✓ On the basis of **way of application** (once a day, as primary therapy)

Market Positioning...

- In relation to the **end user or the patient**
- In relation to a **medical product to the competitor**
- In relation to **therapeutic class of medical products**
 - **Example:** new in an existing therapeutic class or representative of a new therapeutic class
- In relation to elements of **marketing complex**
 - **Example:** Design of packing, size of packing, etc.

Market Positioning... vccvbnm,.

- In the pharmaceutical industry, product positioning is very important in marketing OTC medications
 - For OTC medications consumers easily recognize competing products
 - **Example:**
 - Marketers for Claritine (Loratidine) work strategically to place it in the consumers' minds as the **most effective, non-steroidal antihistamine**

Market Positioning...

Table 8.4: The Pharmaceutical Positioning, Targeting, and Profiling Statements

Parameter	Targeting	Positioning	Profiling
Efficacy	Oncology specialists	First choice therapy for metastatic breast cancer	Most efficacious in prolonging survival
Safety	Gerontologists	For elderly insomnia sufferers	Safest choice for patients under multiple prescriptions
Tolerability	Pediatricians	Children under injectable antibiotic treatment	No irritation and pain for your young patients
Formulation	Gastroenterologists	Antipyretic for patients with stomach side effects	Problem-free fever reduction
Onset of action	Anesthesiologists	For sleep induction, in anesthetic drug cocktails	Highest versatility in all your operating room procedures
Price	General pathologists	Basic nutritional content, for ambulatory patients only	A nutritional supplement for all your hospital outpatients

Market Positioning...

Table 8.1: Pharmaceutical Positioning Statements

Market Segment	Brand	Frame of Reference	Differentiation	Competitive Edge
Of all analgesics,	Product X	is the only long-lasting product	that offers fast relief and tolerability	due to its targeted effect on brain ABC receptors.
In hormone replacement,	Product Z	is the standard of a new era	because it covers all your body's needs	by acting on central and peripheral E2 receptors.
In Parkinson's treatment	Product W	is the best choice	because it offers long relief with no side-effects	due to its innovative drug combination.
Among selective-serotonin reuptake inhibitors (SSRIs)	Product Y	is the most tolerable	because it offers superior efficacy and no side-effects	due to its selective 5-HT receptor actions.

STP Model (Summary)

Market Segmentation

- Identify basis for segmentation
- Determine important characteristics of each market segment



Market Targeting

- Evaluate potential and commercial attractiveness of each segments
- Select one or more segments



Product Positioning

- Develop detailed product positioning for selected segments
- Develop a marketing mix for each selected segment

Marketing Strategies in Pharmaceutical Enterprises

Marketing Strategies

- The pharmaceutical companies today are facing **stiff competition due to the increased number of medicines in the market**
- All **companies need strategies** to meet changing markets
 - No one strategy is best for all companies
 - Each company must find the way that makes most sense, given its situation, opportunities, objectives and resources.
- Marketing plays an important role in **strategic planning**
 - It provides information and other inputs to help prepare the strategic plan

Marketing Strategies...

- **Strategic planning**

- First stage of marketing planning
- Defines marketing's role in the organization

- **Strategic plan**

- Guides marketing
- Must work with other departments in the organization to achieve strategic objectives

Marketing Strategies

- **Strategy**

- ✓ Directed course of action to achieve an intended set of goals
- ✓ The mean by which objectives are consciously and systematically pursued and obtained over time
- ✓ Answers the following four questions:
 - Where do we compete?
 - What unique value do we bring to customers?
 - How will we use our capabilities to provide unique value?
 - How will we sustain our unique value and position?

Marketing Strategies...

- **Strategy Vs Tactics**

- **Strategy:**

- Defines the **high-level plan**

- Statement **describing the course towards to objectives**

- **Objectives :**

- ✓ Are the desired destination points of the strategic journey

- ✓ Pharmaceutical marketing objective is a pharmaceutical product's goal within a defined market and time

- **Example :** To achieve sales of 2 million USD in the oral pharmaceutical market in 2021

Marketing Strategies...

- **Tactics:**
 - **Specific activities** designed to implement the crafted strategy
 - It includes the **steps taken to execute that plan**
 - **Example:** Implementation of TV advertising campaign during the next few months
- Decision-making on manufacture of pharmaceutical goods should be based on the strategic approach
 - Any decision in the given area should be accepted, considering an organization ultimate goal

Marketing Strategies...

Table 4.6: Examples of Pharmaceutical Marketing Strategy and Tactics

Strategy	Tactics
Become market share leader.	Hire and train 15 new sales representatives.
Grow sales by 20% every year.	Visit key accounts once weekly.
Penetrate 10% of market in launch year.	Prepare 3 new detail aids per year.
Achieve 75% product awareness level.	Organize launch symposium on Malta.
Have sales force ranked among top 5.	Conduct 4 prescriber focus groups.
Capture 40% unit market share next year.	Conduct DTC campaign during hay fever season.
Gain product reimbursement fast.	Distribute 1,000 new product gimmicks

Marketing Strategies...

- **Marketing strategy**

- Represents the program of marketing activity of firm at the target markets
 - Defining basic decisions on achievement of marketing purposes
- It is a plan identifying what basic goals and objectives are will be pursued and how they will be achieved within the specified time
- Realization of marketing strategy is carried out in the conditions of quickly changing environment (marketing tactics)

Marketing Strategies...

- Marketing strategy consists of decisions and actions focused on building a sustainable differential advantage, relative to competitors, in the minds of customers, to create value for stakeholders
- Determines the choice of target market segments, positioning, marketing mix and allocation of resource

Marketing Strategies....

- In the theory and marketing practice there are some approaches to strategy planning
- **Basic models of strategic decision-making**
 - Ansoff's Product/Market Matrix
 - Porter's generic strategies
 - Boston Consulting Group Matrix (BCG)
 - Matrix of growth/share of the market
 - General Electric Business Skin

Marketing Strategies....

- **Ansoff's Product/Market Matrix**
 - The matrix examines
 - New Vs. existing markets
 - New Vs. existing products
 - Includes the following strategies
 - **Market Penetration**
 - Existing product to existing market
 - **Market Development**
 - Existing product to new market
 - **Product Development**
 - New product to be marketed to our existing customers
 - **Diversification**
 - Market completely new products to new customers

Marketing Strategies....

Market \ Product	Present	New
	Present	New
Present	Market Penetration	Product Development
New	Market Development	Diversification

Figure 1: Ansoff's Product/Market Matrix
Product/market expansion grid

Marketing Strategies....

- **Porter's generic strategies**

- In strategic Porter's model two basic concepts of marketing planning and alternative of each of them are considered:
 - ❖ Choice of the target market (within all area or separate segments) and
 - ❖ Strategic advantage (uniqueness or the price)
- Uniting these two concepts, the Porter's model allocates such base strategy of coverage of the market
 - Undifferentiated marketing
 - Differentiation (differentiated marketing)
 - Concentration (concentrated or target marketing)

Marketing Strategies....

- Adopting a strategy of *market aggregation*
 - Also known as **mass-market** or **undifferentiated-market** strategy
 - Organization **treats its total market as a single given**
 - One mass, aggregate market, which parts are considered to be alike in all major respects
 - Management select single marketing mix to reach as many customers as possible
 - Company;
 - Develops single product for the mass audience
 - Develops one pricing structure and distribution system
 - Uses single promotional program that is aimed at the entire market

Marketing Strategies....

- **BCG Matrix (Boston Consulting Groups)**
 - Considers groups of goods depending on:
 - Market growth rates
 - Market share for given goods to corresponding share of the basic competitor
 - Volumes of investments into manufacture of goods, profits, etc.
 - Comprised of four quadrants that show;
 - High and low market share and
 - High and low growth potential

Marketing Strategies....

- According to it four groups of the goods are allocated:
 - ✓ Stars
 - ✓ Cash cows
 - ✓ Problem child or «question signs»
 - ✓ Dogs

Marketing Strategies....



Marketing Strategies....

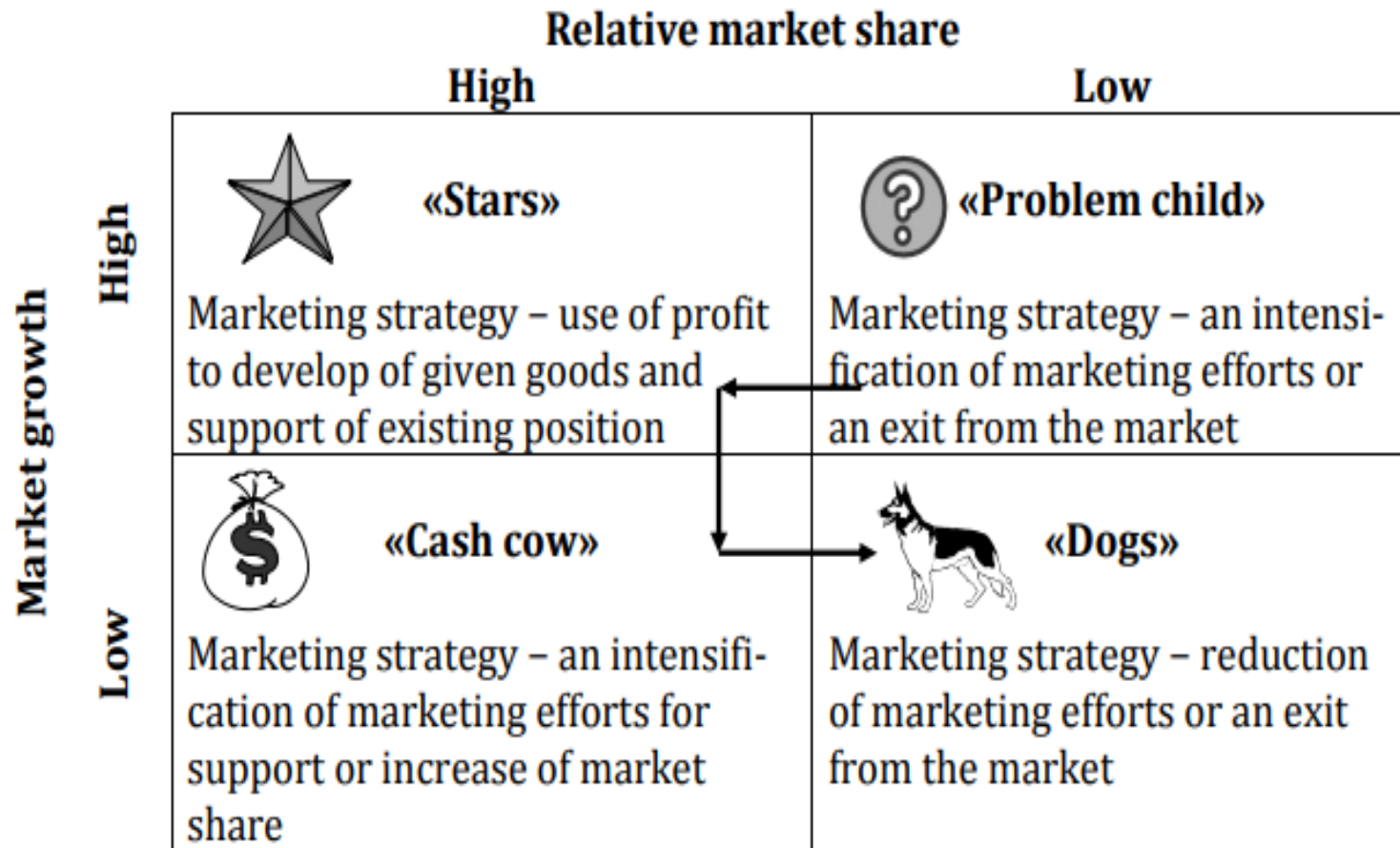


Figure 2: The Boston matrix

Marketing Strategies....

- **Stars**

- Products that are in high growth markets with relatively high market share
- Tend to generate high amounts of income
- Keep and build your stars

- **Problem Children (?Question mark)**

- Products with a low share of a high growth market
- Consume resources and generate little in return
- Absorb most money as you attempt to increase market share
- Has the potential to become either a star or a dog,
 - So, close monitoring is needed to determine its growth potential.

Marketing Strategies....

- **Cash Cows**

- Products with a high share of a slow growth market
- Generate more than is invested in them
 - Keep them in your portfolio of products for the time being

- **Dogs**

- Products with low share and low growth market
- Do not generate cash for the company, they tend to absorb it
- There is no room for growth
 - No new funds should be invested in it.
- Get rid of these products

Marketing Strategies....

- The choice of marketing strategy does not mean, that the firm will always implement it.
- Strategy can change, if:
 - Some years it does not provide satisfactory indicators of sales volume and profit
 - Firms-competitors have sharply changed the strategy
 - External factors influencing activity of firm didn't change
 - Prospects for acceptance of measures which can raise firm profit substantially have opened
 - Have changed or there were new preferences of buyers or tendencies to possible changes in this area have changed;
 - Problems put in strategy are already solved and used

Marketing Strategies for Competitive Advantage

- To be successful, the company must do a better job than its competitors of satisfying target consumers
- The design of competitive marketing strategies begins with competitor analysis
- The company constantly compares the value and customer satisfaction delivered by its **products, prices, channels** and **promotion** with those of its close competitors

Marketing Strategies for Competitive Advantage...

- The company must formally or informally monitor the competitive environment to answer the following and other important questions:
 - ✓ Who are our competitors?
 - ✓ What are their objectives and strategies?
 - ✓ What are their strengths and weaknesses?
 - ✓ How will they react to different competitive strategies we might use?
- Which competitive marketing strategy a company adopts depends on its industry position

Marketing Strategies for Competitive Advantage...

- **Market leader**

- The firm in an industry 'with the largest market share'
- It usually leads other firms in price changes, new product introductions, distribution coverage and promotion spending

- **Market challenger**

- A runner-up firm in an industry that is fighting hard to increase its market share
- Companies that aggressively attack competitors to get more market share
- It might attack the market leader, other firms of its own size, or smaller local and regional competitors

Marketing Strategies for Competitive Advantage...

- **Market follower**

- Seek stable market shares and profit by following competitors' product offers, prices and marketing programs
- An industry that wants to hold its share without rocking the boat

- **Market nicher**

- A firm in an industry that serves small segments that the other firms overlook or ignore
- Avoid direct confrontations with the big companies by specializing along market, customer, product or marketing-mix lines.
- Through clever niching, low-share firms in an industry can be as profitable as their large competitors.

Developing the Marketing Mix

- Once the company has chosen its overall competitive marketing strategy, it is ready to begin planning the details of the marketing mix.
- The marketing mix is one of the dominant ideas in modern marketing
- **Marketing mix**
 - Set of **controllable tactical marketing tools** that the firm blends to produce the response it wants in the target market.
 - Consists of everything the firm can do to influence the demand for its product
 - The many possibilities gather into four groups of variables known as the **'four Ps'; product, price, place & promotion**

Developing the Marketing Mix...

- **Product:** totality of 'goods and services' that the company offers the target market
- **Price:** Refers to what customers pay to get the product
 - Offer discounts, trade-in allowances and credit terms and bring the price into line with the buyer's perception
- **Place:** Company activities that make the product available to target consumers.

Developing the Marketing Mix...

- **Promotion:** activities that communicate the merits of the product and persuade target customers to buy it.
- An effective marketing programme blends the marketing mix elements into a coordinated programme designed to achieve the company's marketing objectives.
- The marketing mix constitutes the company's tactical tool kit for establishing strong positioning in target markets.

Developing the Marketing Mix...

- The “4Ps” represent the **sellers' view of the marketing tools** available for influencing buyers.
- From a consumer viewpoint, each marketing tool must deliver a customer benefit.
- One marketing expert suggests that companies should view the four Ps as the customer's four Cs

- **4Cs**

- Customer needs and wants
- Cost to the customer
- Convenience
- Communication



Winning companies are those that meet customer needs economically and conveniently and with effective communication.

Pharmaceutical Marketing Environment

Marketing Environment

- Set of *factors, forces* and *conditions* operating outside the company and influencing on its marketing activity
- Refers to all of the *internal* and *external forces* that affect a marketer's ability to create, communicate ,deliver and exchange offerings of value.
- It is an environment within which marketing decisions are made
- *Work with or against the company* and affect the company's ability to serve its customers
 - Confront numerous **uncontrollable** and **controllable variables**.
 - **Internal marketing environment**
 - **External marketing environment**

Pharmaceutical Marketing Environment...

- **Internal environment**

- Forces and actors that are within the organization and affects its ability to serve its customers
- It refers to organization itself and the factors that are directly controllable by the organizations
- The parts of the organization, the people and the process used to create, communicate, deliver and exchange offerings that have value.

Pharmaceutical Marketing Environment...

- Company's marketing system is influenced by its capabilities regarding production, financial & other factors
- It includes;
 - Marketing managers
 - Sales representatives
 - Marketing budget and marketing plans
 - Procedures, inventory, logistics

Pharmaceutical Marketing Environment...

- Marketing mix principles
 - Also known as the 4P's
 - Used by business as tools to assist them in pursuing their objectives.
 - They are controllable variables, which have to be carefully managed and must meet the needs of the defined target group.
 - The interaction of these components makes up the marketing mix and results in utilities for the consumer

Pharmaceutical Marketing Environment...

- Product
 - key element of marketing mix
 - Basic characteristics are size, color, packing, design etc..
 - Service elements, in particular, for medical products:
 - Pharmaceutical service
 - Presence of the instruction on medical application
 - Pharmaceutical care,
 - Recommendations and consultations during purchase;
 - Qualification of pharmaceutical personnel
 - Speed of orders performance
 - Consideration of clients complaints.

Pharmaceutical Marketing Environment...

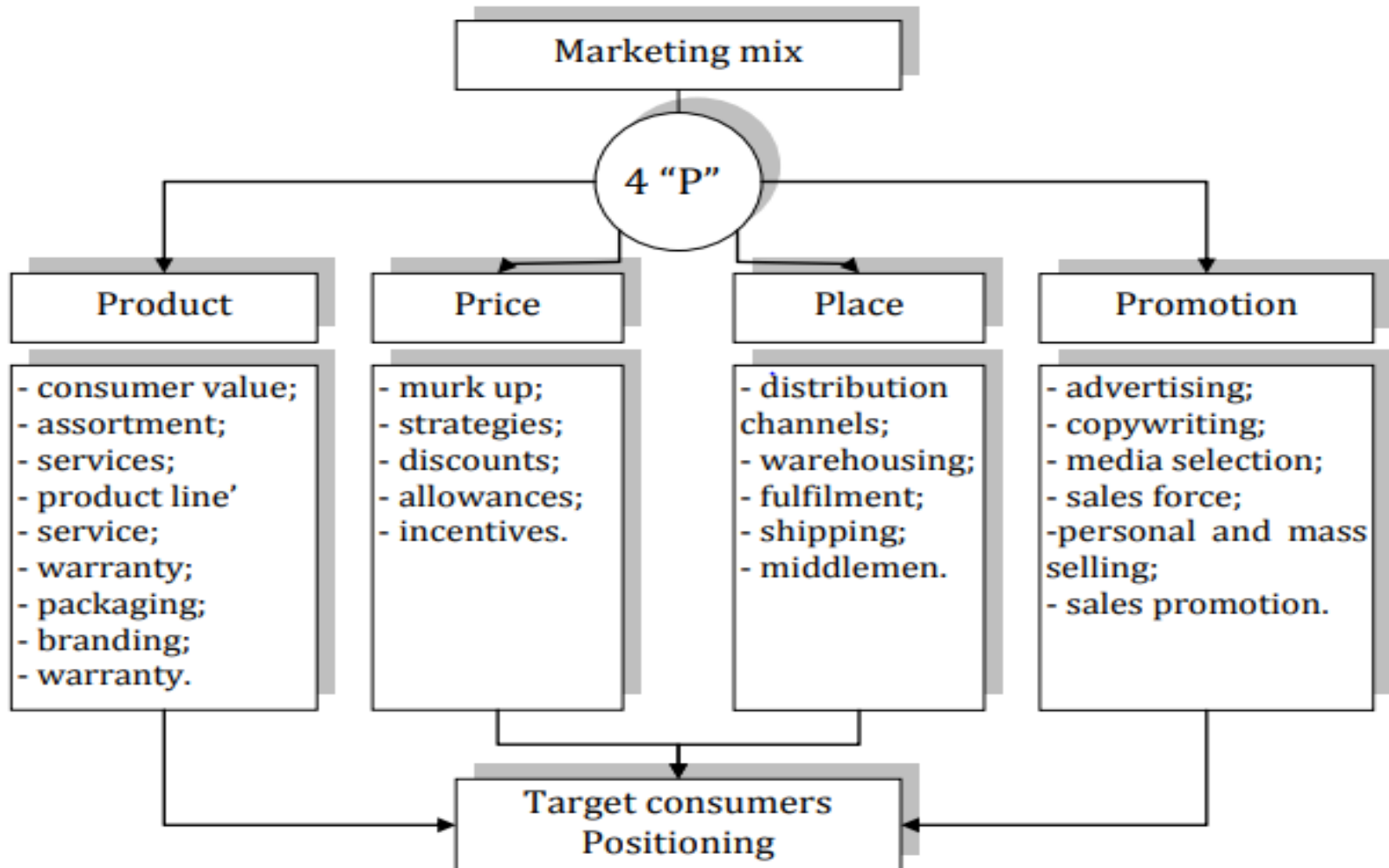


Figure : Marketing mix structure

Pharmaceutical Marketing Environment...

Table 3.6. Overview of the Pharmaceutical Marketing Environment

<u>Influencing Factors</u>	Internal		
	<u>Players</u>		
	Suppliers	Intermediaries	Customers
Financial resources	Raw material producers	Distributors	Physician s
Mission	R&D material producers	Advertisers	Nurses
Structure	Equipment manufacturers	PR firms	Patients
Technology		Financial services	Hospitals
Culture			Wholesalers
R&D			Pharmacists
Quality/Leadership/Creativity			General public

Pharmaceutical Marketing Environment...

- **External environment**

- The people and process that are **outside the organization** and can not be directly controlled
- Largely uncontrollable and made up of:
 - ❖ Micro environment
 - ❖ Macro environment

Pharmaceutical Marketing Environment...

- **Microenvironment:**

- Called 'Micro' because they affect a particular firm
- Actors of the firm's immediate environment that affect its capability to operate effectively in its chosen market
- Making direct impact on activity of the enterprise (firm)
 - Includes consumers, marketing intermediaries, competitors and contact audiences
- They are more controllable than the factors in macro environment for a pharma firm.

Pharmaceutical Marketing Environment...

- In pharmaceutical market, micro environment includes all actors close to the company such as;
 - **Customers:** Patients, Physicians
 - **Suppliers:** Pharmacies and supermarkets
 - **Local regulatory agencies**
 - **Competitors:** Competitor pharmaceutical company
 - **Distributors (marketing intermediates) :** Drug stores
 - **Public**

Actors in the micro environment



Pharmaceutical Marketing Environment...

- **Customers**

- Customer Vs. consumer

- Customer Purchase the Product
 - Consumer use the product
 - Customer can be the consumer but the consumer is not necessary the customer

Pharmaceutical Marketing Environment...

- **Customer value**

- Implementing the marketing concept by meeting and exceeding Customer needs better than the competition
- Dependent on how the customer perceives the benefits of an offering and the sacrifice that is associated with its purchase
- Exceeding the value offered by competitors is key to marketing success.

Pharmaceutical Marketing Environment...

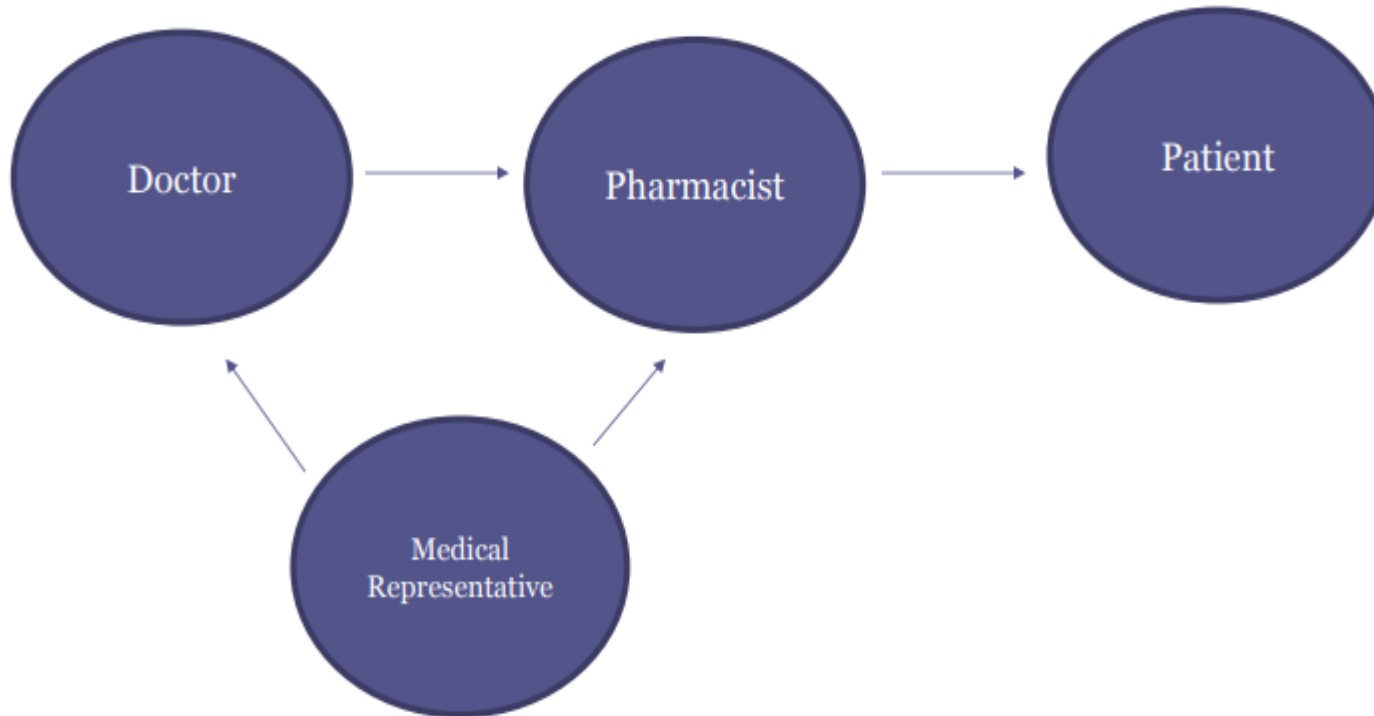


Figure: Customers of the pharmaceutical Industry

Pharmaceutical Marketing Environment...

- **Physicians**

- Choose the right medication for the patient
- Choice of the product depends on :-
 - Type of illness
 - Effectiveness compared to competitors
 - Added value (ex. Less side effect)
 - Persuasion level
 - Relationship with sales representative
 - Incentives

Pharmaceutical Marketing Environment...

- **Patients (general consumers, end users)**
 - Have the choice to choose what the doctor prescribed or choose themselves the medication
 - Factors affecting patient choice:-
 - Whether it's an OTC or POM drug or has other alternatives
 - Cost of medication: covered by insurance or not
 - Seriousness of illness : Cold Vs BP medication
 - Education of the patient
 - Trust in the doctor and the treatment

Pharmaceutical Marketing Environment...

- **Macro environment**

- Refers to the external factors that are outside the control of the firm.
- These factors are often analyzed under the acronym: PESTLE
 - Political
 - Economic
 - Social
 - Technological
 - Environmental and
 - Legal aspects

Pharmaceutical Marketing Environment...

- Factors of macro-environment concern
 - Demographic
 - Economic
 - Natural and geographical
 - Scientific and technical
 - Political and cultural

Pharmaceutical Marketing Environment...

External Factors				
Political	Economic	Social	Technological	Natural
Legislation	Inflation rate	<i>Demographic:</i>	New products	Shortages
Government agencies	Interest rate	Age structure	New markets	Renewable
Lobbyists	Credit availability	Family	Increased efficiency	Energy costs
<i>Governments are:</i>	Disposable income	Race	Robotics	Pollution
Regulator	Propensity to save	Geography	Biotechnology	Emissions
Purchaser	Reimbursement	Ethnic	Genomics	Packaging
Supplier	HMOs	Religion	Internet	Government intervention
Competitor		Education		
		Occupation		
		<i>Culture:</i>		
		Basic values		
		Perceptions		
		Preferences		
		Behaviors		

Market Situational Analysis

Market Situational Analysis

- **Situational analysis:**
 - Process of studying the internal and external environment
 - Focus on independently on internal and external environment
 - Often referred to by the acronym **SWOT**
 - Stands for strengths, weaknesses, opportunities, and threats
 - **Strengths** and **weaknesses** refer to *internal analysis*
 - **Opportunities** and **threats** refer to the *external environment*

Situational Analysis

- **SWOT analysis:**

- It is an examination of the internal and external factors that impact the organization and its strategies
- Well-known and usual tools to the strategic planning process
- Beneficial tool for decision-making and understanding dependencies between a company and its environment
- Provides an overall view of the case **company's internal situation**, and defines the **competitive environment**
- It is the most popular method used by several companies

SWOT analysis:

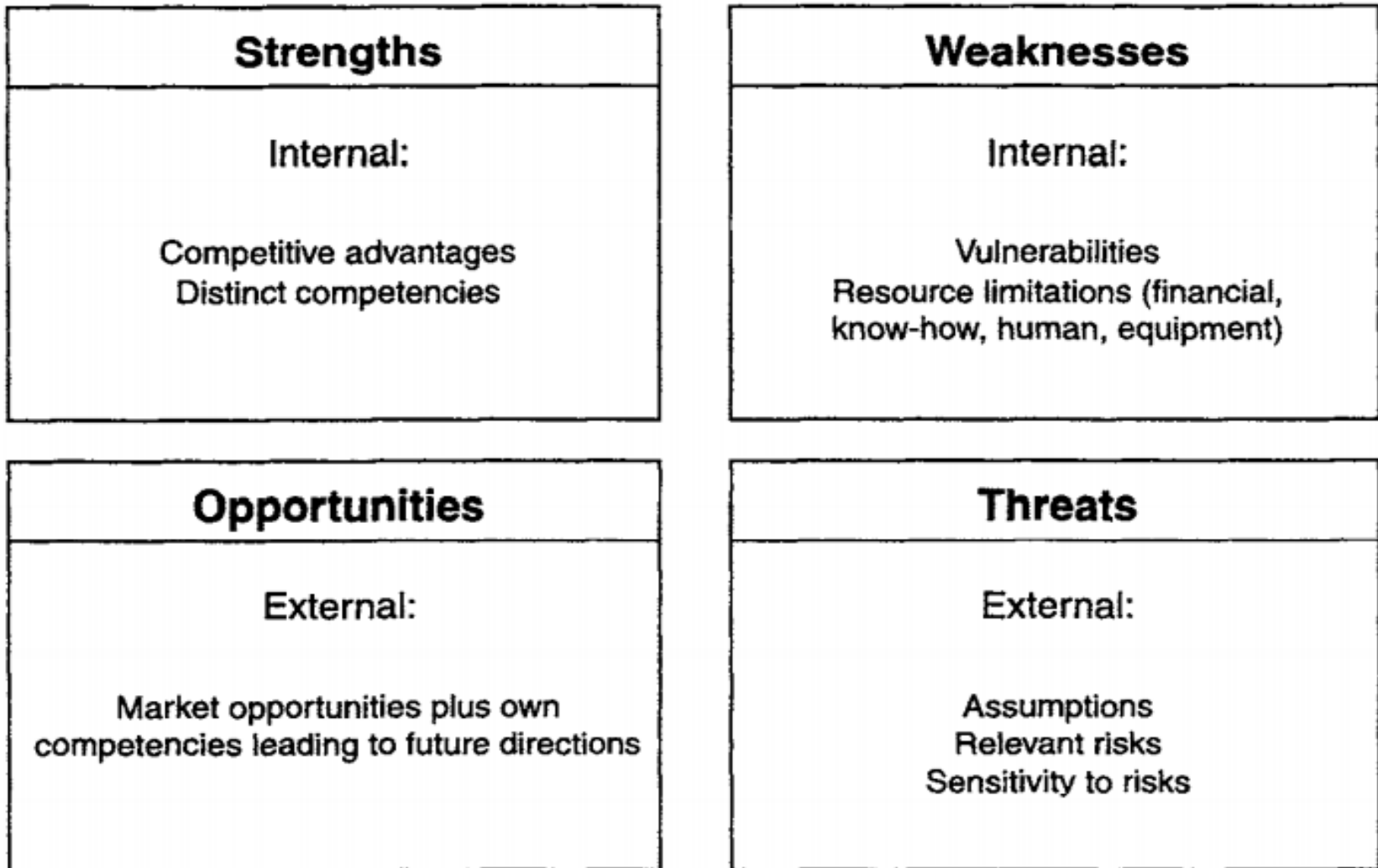


Figure: SWOT Analysis

Analysis of the Internal Environment...

- **Internal analysis:**
 - Knowledge and understanding of:
 - Strengths and weakness within an organization.
 - Company culture and image
 - Organization structure, staff
 - Operational efficiency and capacity
 - Brand awareness, financial resources

Analysis of the Internal Environment...

- Internal analysis can be put into two parts:
 - Performance analysis
 - Determinants of strategic options
- Performance analysis consisted of;
 - Profitability, sales
 - Shareholder value analysis
 - Customer satisfaction
 - Product quality brand associations
 - Relative cost, new products, employee capability and,
 - Performance, product portfolio analysis

Analysis of the Internal Environment...

- **Strength of pharma industry**

- Document the internal industry components that are providing value, quality goods and services and overall excellence.
- Components can include;
 - Physical resources, human, capital or features the industry can control
 - **For example:** Pharmaceutical industry's strengths could include;
 - Low operating overhead
 - Firm fiscal management
 - Low staff turnover
 - High return on investment (ROI)
 - State of the art laboratory equipment and
 - An experienced research staff

Analysis of the Internal Environment...

- **Availability of Resources:**

- Includes a review of financial, human, and experience resources, as well as resources from key relationships
- Financial resources tend to get most attention

- **Organizational Culture and Structure:**

- Problems can arise when marketing does not hold a prominent position in the organizational hierarchy
- Culture and structure are relatively stable but can be affected by mergers

Analysis of the Internal Environment...

- **Weakness of pharma industry**

- Document the internal industry components that are not providing significant added value or are in need of improvement.
- Components can include
 - Physical resources, human capital or features the industry can control

- **Example:**

- High-risk business modeling
- Disengaged Board of Directors
- Outdated medical equipment
- Poor branding
- Low staff morale or diseconomies of scale

Analysis of the Internal Environment...

- **Opportunities of pharma industry**

- Document the external industry components that **provide a chance for the industry to grow in some capacity or gain a competitive edge.**
- Components should be environmental factors or aspects outside the industry's control, yet reflective of the business marketplace.
- **Example:** Pharmaceutical industry's opportunities could include:
 - Increase in health-conscious consumers
 - Increased demand for pharmaceutical products
 - Changes in regulatory (FDA) standards
 - Decreases in employee health care costs

Analysis of the Internal Environment...

- **Threats of the pharma industry**
 - Document the external industry components that could create an opportunity for the industry (or factions of the industry) to decline, atrophy or lose some competitive edge.

Situational Analysis: Analysis of the External Environment

- **Company's macro environment**
 - Called 'Macro' because they affect all firms
 - They are also known as PESTL
 - ✓ Political Environment (forces)
 - ✓ Economic Environment
 - ✓ Socio cultural Environment (forces)
 - ✓ Technological Environment (forces)
 - ✓ Legal environment (forces)
 - ✓ Natural Environment (forces)

Analysis of the External Environment...

- **Political and legal Environment (forces)**
 - Business have to operate within the framework of the prevailing legal environment
 - Marketers should understand the implications of all the legal provisions relating to their business
 - Government make various laws, legislation, and regulation
 - Affects the operations of a business in general and marketing in particular
 - ✓ Laws that protect customers from unfair business practices
 - ✓ Laws that protect the society against unrestricted business behavior
 - ✓ Laws on taxes or tariffs

Analysis of the External Environment...

- Government political policy or regulation have direct or indirect impact on the pharmaceutical industry
 - **Example:**
 - Price control
 - Control on clinical trial
 - Control of drug advertisement
 - Government cost containment plan

Analysis of the External Environment...

- **Economic environment (forces)**
 - Consists of factors that affect consumer **purchasing power** and **spending pattern**
 - Market require buying power as well as people
 - Changes in the general economic variables such as **income, cost of living, interest rate** affect;
 - Supply and demand
 - Buying power
 - Willingness to buy
 - Consumer expenditure levels

Analysis of the External Environment...

- The relationship between pharmaceutical industry and the economic environment is best described within a 'fact of life'
- The unlimited demand for health care is confronted with limited resources for its funding
 - **Example:**
 - People from lower income setting opt for self treatment and OTC drugs, thereby avoiding the high costs of visits to medical practitioners

Analysis of the External Environment...

- **Socio-Cultural Environment**

- **Constitute culture, traditions, beliefs, values, and life styles** of people in a given society
- People grow up in a particular society that shapes their basic beliefs and values
 - Help to determine what, where, how and when people buy products
 - Affect *the peoples* **perceptions, preferences and behaviors**
- These forces present both challenges and opportunities
- Effects of culture on the buying behavior of the customers should be considered

Analysis of the External Environment...

- **Natural Environment**

- Natural resources that are needed as input by marketers and affect the marketing activities
- Covers aspects like the extent of endowment of **natural resources** in the country, **ecology, climate** etc.
- Lack of raw materials, growing energy prices, growing environmental pollution and the fact that national regulations set **increasingly strict environmental standards**
- Interaction between pharmaceutical industry and natural environment has complex implications both on the supply and demand for pharmaceutical products
- Certain natural conditions are exclusively matched by certain diseases, or that natural conditions significantly affect their incidence.

Analysis of the External Environment...

- **Technological Environment**

- Technology is the sum total of knowledge and ways of doing things
- Technological environment involves forces that create new technologies, creating new product and market opportunities.
- Pharmaceutical industry is a high-tech industry in the real sense of the word
 - Complex R&D of new products and in high standards of pharmaceutical production and trade

Analysis of the External Environment...

- Development levels of the technological environment and availability of technology
- Human resources capable of mobilizing technology so as to attain goals define the capability to enter the highly competitive pharmaceutical market
- The impact of technological environment on the industry is visible in the process of developing a new drug,
- Sophisticated computer programs enable researchers to direct the active substance to the desired biological target more efficiently

Market Feasibility Study

Feasibility study

- An in-depth analysis of the financial variability of a property development
- Market analysis searches for the intersection of demand and supply that will create a market for a product at a given price
- Feasibility analysis tests whether a certain product will meet certain financial or social goals in the market
- Feasibility studies help determine:
 - Does the company possess the required resources or technologies; and,
 - Does the proposal offer a reasonable return vs. risk from the investment

Market feasibility study....

- Difference between **feasibility study and business plan**
 - Feasibility study is not a business plan
 - Feasibility study provides an investigating function is this viable?
 - Business plan provides a planning function
 - The **business plan outlines the actions needed to take the proposal from idea to reality**
 - Often feasibility studies identify more than once alternative to the proposed idea
 - Feasibility study is prepared before the business plan.

Market Feasibility...

- **Why do a feasibility study?**

- Gives focus to the project
- Narrows alternatives
- Surfaces new opportunities
- Enhances the probability of success by addressing factors early that could affect the project
- Provides quality information for decision making
- Helps in securing funding
- Helps to increase investment in idea

Market Feasibility...

- **Contents of a Feasibility Study**
 - Executive Summary
 - Description of Product or Service
 - Technology Considerations
 - Product or Service Marketplace
 - Identification of Specific Market
 - Marketing Strategy
 - Organization Structure
 - Schedule
 - Financial Projection

Market Feasibility...

- **Types of Feasibility Studies:**

- **Technical:** hardware and software; existing or new; staffing skills
- **Financial:** initial and future stakeholder investors; ROI benchmarks
- **Market:** industry type; marketing characteristics; market growth; competition environment; sales projections
- **Organization:** structure; legal; management team's competency

Market Feasibility...

- **Typical Steps to a Feasibility Study**

- 1. Preliminary Analysis
- 2. Market Assessment
- 3. Organizational Structures
- 4. Financial Controls
- 5. Points of Vulnerability
- 6. Results and Conclusions
- 7. Go/No-Go Decision

Market Feasibility...

- **Market Feasibility**

- Access to market outlets
- Identify the potential buyers of the service and the associated marketing costs
- Investigate the distribution system and the costs involved

- Seven major trends reshaping the pharmaceutical marketplace

- I. The burden of chronic disease is soaring
 - The prevalence of chronic diseases is growing everywhere.
 - The social and economic value of treatments for chronic diseases will rise accordingly

- 2. **Healthcare policy-makers and payers are increasingly mandating or influencing what doctors can prescribe.**
 - As treatment protocols replace individual prescribing decisions, Pharma's target audience is also becoming more consolidated and more powerful, with profound implications for its sales and marketing model.
 - The industry will have to work much harder for its dollars, collaborate with healthcare payers and providers, and improve patient compliance

- **3. Pay-for-performance is on the rise**
- **4. The boundaries between different forms of healthcare are blurring**
 - The primary-care sector is expanding as clinical advances render previously fatal diseases chronic.
 - The self-medication sector is also increasing as more prescription products are switched to over-the-counter status.
 - The needs of patients are changing accordingly.
 - Treatment is migrating from the doctor to ancillary care or self-care, patients will require more comprehensive information.
 - Where treatment is migrating from the hospital to the primary-care sector, patients will require new services such as home delivery.

- The markets of the developing world, where demand for medicines is likely to grow most rapidly over the next 13 years, are highly varied
 - Developing countries have very different clinical and economic characteristics, healthcare systems and attitudes towards the protection of intellectual property.
 - Any company that wants to serve these markets successfully will therefore have to devise strategies that are tailored to their individual needs.

- 6. Many governments are beginning to focus on prevention rather than treatment, although they are not yet investing very much in pre-emptive measures.
 - This change of emphasis will enable Pharma to enter the realm of health management.
 - But if it is to do so, it will have to rebuild its image, since healthcare professionals and patients will not trust the industry to provide such services unless they are sure it has their best interests at heart.

- **7.The regulators are becoming more risk-averse.**
 - The leading national and multinational agencies have become much more cautious about approving truly innovative medicines
 - Much of this increase in spending has gone on the expansion of the sales force.
 - However, many of the industry's biggest markets are now saturated with sales representatives, and its selling techniques are becoming increasingly ineffective

- Key Factors in Effective Pharmaceutical Marketing

Pharmaceutical Marketing Mix (4Ps)

Marketing Mix

- **According to Philip Kotler:**
 - “**Marketing Mix**“ is the set of controllable variables that the firm can use to influence the buyer’s response
 - The controllable variables in this context refer to the 4 ‘P’s
 - Product, price, place (distribution) and promotion

Pharmaceutical marketing mix (4Ps)



Product

- Product is **anything that can be offered to the market** that might satisfy a want or need
- Refers to the goods and services offered by the organization
- Product of work made for realization at the market to satisfy certain need
- The thing offered to the market can be;
 - Tangible (Physical good)
 - Intangibles (service or idea)

Levels of the product

- Product has three levels. The most basic levels are:
 - **Core benefit** ...inherent product feature
 - **Expected product**... existing in the customers mind
 - **Augmented product** ... with additional benefits like delivery & credit, after sales service, installation and warranty.

Levels of the product...

Table 3.3: Characteristics of Pharmaceutical Products

<u>Product Components</u>		<u>Economic Components</u>	
Core values	Augmented values	Price-related	Nonprice-related
Efficacy	Ease of use	Actual price	Distribution channels
Safety	Temperature stability	Competitive pricing	Channel intensity
Tolerability	Shelf life	Price-value relationship	Channel length
Speed of action	Patient education	Discounts	Channel integration
Quality	Physician information	Return-on-investment	Promotional level
Cost	Patient association support		Promotional channels
	Mail delivery		Advertising intensity
	Company Web site		Personal selling effort
	Branding		

Product Classification

- Product can be broadly classified on the basis of ;
 - Use
 - Durability, and
 - Tangibility
- Based on use, the product can be classified as:
 - **Consumer Goods; and**
 - **Industrial Goods**

Product Classification...

- **Consumer goods:**
 - Goods meant for personal consumption by the households or ultimate consumers
 - Includes items like toiletries, groceries, clothes etc.
 - Based on **consumers' buying behavior** the consumer goods can be further classified as :
 - (i) Convenience goods;
 - (ii) Shopping goods; and
 - (iii) Specialty goods

Product Classification...

- **Convenience Goods:**

- Goods which are bought frequently without much planning or shopping effort and are also consumed quickly.
- Buying decision in case of these goods does not involve much pre-planning.
- Such goods are usually sold at convenient retail outlets

Product Classification...

- **Shopping Goods:**

- Goods which are purchased less frequently and are used very slowly like clothes, shoes, household appliances.
- Consumers make choice of a product considering its suitability, price, style, quality and products of competitors and substitutes, if any.
- Consumers usually spend a considerable amount of time and effort to finalize their purchase decision
- Involve much more expenses than convenience goods.

Product Classification...

- **Industrial Goods:**

- Goods meant for consumption or use as inputs in production of other products or provision of some service
- They are meant for non-personal and commercial use and include:
 - (i) Raw materials,
 - (ii) Machinery,
 - (iii) Components, and
 - (iv) Operating supplies

Product Classification...

- **Based on Durability:**
 - **(a) Durable Goods;** Used for a long period i.e., for months or years together
 - **(b) Non-durable Goods:** Consumed in one go or last for a few uses
- **Based on tangibility:**
 - **(a) Tangible Goods**
 - Have a physical form, that can be touched and seen
 - **(b) Intangible Goods:**
 - Services provided to the individual consumers or to the organizational buyers

Product Positioning

- Positioning strategy consists of 3 steps:
 - To reveal possible competitive advantages to create a positioning,
 - To select the right competitive advantages and to choose a comprehensive positioning strategy.
 - The company should provide effective communication and distribution to market regarding the selected position

Positioning of Pharmaceutical Goods

- **“Positioning”**
 - Refers to placing a brand in that part of the market to have favorable reception compared to competing products.
 - Since the market is heterogeneous, one brand cannot make an impact on the entire market.
 - As a matter of strategy, therefore, the product should be matched with that segment of the market where it is most likely to succeed.
 - The product should be positioned that it stands apart from competing brands.
 - Positioning tells what the product stands for, what it is, and how the customers should evaluate it

Pharmaceutical Product positioning...

- Positioning helps in differentiating the product from competitive offerings.
- Positioning is achieved by using marketing-mix variables, especially through design and communication efforts.
- While differentiation through positioning is more visible in OTC products, it is equally true of prescription drugs.
- With some products positioning can be achieved on the basis of tangible differences
 - e.g., product features
- Intangibles are used to differentiate and position products

Pharmaceutical Product positioning...

- A product's position is the image that the product projects in relation to competitive products and to other products marketed by the same company.
- Marketing executives can choose from a variety of positioning strategies,
- some of which are as follows:
 - Positioning in relation to a competitor.
 - Positioning in relation to a target market
 - Positioning in relation to a product class
 - Positioning by price and quality

Pharmaceutical Product positioning...

- Opportunities for positioning of medical product:
 - 1. On the basis of specific properties
 - Force of action, by-effects, bearableness, etc.
 - 2. On the basis of a way of application
 - Once a day, as primary therapy, in the second or in the third turn.
 - 3. In relation to the end user or the patient.
 - 4. In relation to a medical product to the competitor.
 - 5. In relation to a therapeutic class of medical products
 - For example, new in an existing therapeutic class or the representative of a new therapeutic class
 - 6. In relation to elements of a marketing complex
 - For example, design of packing, the size of packing, etc..

Product Repositioning...

- Product Repositioning is done by firms in instances where customers desire changes in the products offered to them.
- Companies modified their offered customer value as per the needs and wants of the current target audience
- It can be a change in size, shape, quantity, flavour, design, fragrance etc.
- This is a customer-oriented approach and is used to cope with the changing market and changing customer preferences.

Pharmaceutical Product positioning...

- **Intangible Repositioning:**

- In this approach the company targets an altogether new set of audience with the same product.
- The company identifies a different set of customers with the similar needs and requirements like the already existing customer base.
- This helps companies retains their value and at the same time gains a fresh audience

Pharmaceutical Product positioning...

- **Tangible repositioning:**

- In this approach the companies change both the target market as well as the aspects of the product.
- The company might move up by targeting audience from the high-class society with a more luxurious product or move down by targeting the lower income groups with a product which is affordable.
- This strategy is usually used to capture a larger chunk of audience from weak competitors and gain a prominent market share along with customer loyalty

Product diversification

- Product diversification strategy is known to be one of the major forms of business growth strategies.
- It is also termed as business development.
- It can be done by **adding new products to the range** or by **altering the existing products**.
- Diversification strategy enables the business to get the opportunity to grow through increased sales by entering the new markets or existing customers

Diversification strategies

1. Concentric diversification

- Involves adding similar products or services to the existing business.
 - For example, when a computer company that primarily produces computers starts manufacturing laptops, it is pursuing a concentric diversification strategy.

• 2. Horizontal diversification

- Involves providing new and unrelated products or services to existing consumers.
 - For example, a notebook manufacturer that enters the pen market is pursuing a horizontal diversification strategy.

Diversification strategies

• 3. Conglomerate diversification

- It involves adding new products or services that are significantly unrelated and with no technological or commercial similarities.
- For example, if a computer company decides to produce notebooks, the company is pursuing a conglomerate diversification strategy.
- Of the three types of diversification techniques, conglomerate diversification is the riskiest strategy.
- It requires the company to enter a new market and sell products or services to a new consumer base.
- A company incurs higher research and development costs and advertising costs.
- Additionally, the probability of failure is much greater in a conglomerate diversification strategy.

Product Life Cycle

- Products tend to go through different life cycles or series of stages,
- Each stage being affected by different competitive conditions
- Different Marketing Strategies for each stages
- The product life cycle can be divided into 5 stages.
 - New product development stage
 - Introduction stages
 - Growth stage
 - Maturity stages and
 - Decline stages

Product Life Cycle...

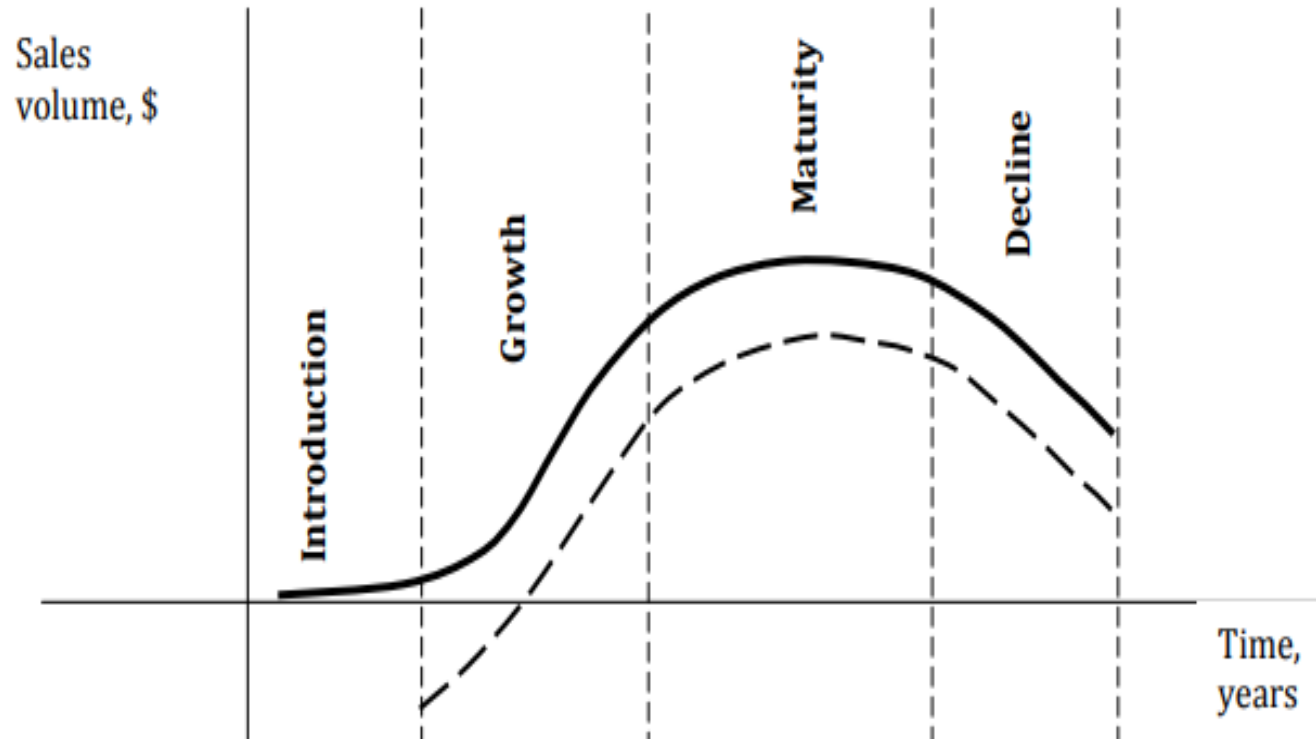


Figure : The product's life cycle

Product Life Cycle....

- **Introduction stage**

- It is the period, during which the initial market acceptance may be in doubt;
 - Thus, it may be a period of a slow growth.
- Profits are often non - existent because of high marketing and other expenses
- Marketing strategy during this stage is based on different combinations of product, price, promotion and distribution variables

Product Life Cycle...

- Production cost, marketing costs, and prices are traditionally high during the introduction stage.
- Unless the product can be produced efficiently using the existing equipment and in the face of unpredictable sales, the economy of the mass production will be hard to realize.
- Marketing costs will reflect the special nature of promotion to stimulate the primary demand.

Product Life Cycle...

Table : Characteristic stages of product life cycle

A. Introduction Stage	
Sales grow slowly	Profit is minimal or negative
Create awareness	Stimulate trial
High production costs	Limited product models
Frequent product modification	Penetration pricing
Skimming pricing	Little competition
High failure rate	High marketing costs
<i>Promotion strategy focuses on primary demand for the product category</i>	
Developing product awareness	Informing about product benefits
<i>Intensive personal selling to retailers and wholesalers is required</i>	

Product Life Cycle...

- **Growth stage:**
 - Survivors of the introduction stage enjoy a period of growth
 - During this period there is the substantial profit improvement.
 - The strategy in this stage takes the following shape:
 - Product improvement-addition of new features and models;
 - Development of new market segments
 - Selective demand stimulation; and
 - Price adjustments

Product Life Cycle...

- During the growth stage there is the widespread approval of the product concept.
- The number of competitors will begin to increase.
- Either modifications of the original product or completely different products for the same purpose will appear.
- By this time production methods will have been established, with a frequent lowering of costs.
- Prices will tend to go down for two main reasons:
 - Increased sales will make some economies of scale possible.
 - The increase in the number of competing firms leads to both a theoretical and an actual tendency toward lower prices
- Promotional activities devoted to the stimulation primarily of selective demand

Product Life Cycle...

B. Growth Stage	
Sales grow at an increasing rate	Many competitors enter the market
Large companies may acquire small pioneering firms	Profits are healthy
<i>Promotion emphasis</i>	
Heavy brand advertising	Differences between brands
<i>Gaining wider distribution is a key goal</i>	
<i>Toward the end of this stage</i>	
Prices normally fall	Profits reach their peak
Development costs have been recovered	Sales volume has created economies of scale

Product Life Cycle...

- **Maturity Stage**

- There is the intense rivalry for a mature market.
 - Leads to a proliferation of sizes, dose forms, and other product variants.
- Battling to retain the company's share, each marketer steps up promotion, and perhaps grants price concessions.
- Unless new competitors are obstructed by patents or other barriers, entry is easy.
- Sales growth slows and profits peak and then start to decline

Product Life Cycle...

- During the maturity stage competition reaches its peak.
- By this point all of the firms that have any hope of receiving a share of the market will be pursuing it.
- Strategy in the maturity stage comprises the following steps;
 - (a) search for new markets and new and varied uses for the product;
 - (b) improvement of product quality through changes; and
 - (c) new marketing-mix perspectives.

Product Life Cycle...

- During this phase all the product variations may be expected to appear.
- It is now seemingly desirable to have tablets, capsules, and liquid. A dermatologic form may be prepared, or a long-acting form, or a combination.
- The promotion may now attempt to add some vitality through efforts to segment the market by using special messages to separate physician specialties

Product Life Cycle...

C. Maturity Stage	
Sales continue to increase but at a decreasing rate	The marketplace is approaching saturation
Annual models of many products	An emphasis on product style rather than function
Product lines are widened or extended	Marginal competitors begin dropping out of the market
Heavy promotions to both the dealers and consumers are required	Prices and profits begin to fall

Product Life Cycle...

- **Decline period**

- Though sales and profits continue their downward trend, the declining product is not necessarily unprofitable.
- Some of the competition may have been removed by this stage
- There can be a number of reasons for the decline of a product class
 - Effectiveness of the product as compared to other means of therapy.
 - New product development

Product Life Cycle...

- Promotion during this stage may again be aimed at stimulation of the primary demand.
- The effort may be half-hearted, and may be aimed at only a core of physician-users.
- Some firms may now drop from the competition leaving a potential marketing opportunity for those remaining.

Product Life Cycle...

D. Decline Stage	
Signalled by a long-run drop in sales	Falling demand forces many competitors out of the market
The rate of decline is governed by how rapidly consumer tastes change or how rapidly substitute products are adopted	A few small specialty firms may still manufacture the product
<i>Strategies</i>	
Deletion	Dropping a product from the company's product line, is the most drastic strategy
Harvesting	Company retains the product but reduces marketing support
To prevent slipping into decline	Promote more frequent use of the product by current customers Find new target markets for the product Find new uses for the product Price the product below the market Develop new distribution channels Add new ingredients Delete old ingredients Make a dramatic new guarantee

Product Life Cycle...

- During the growth stage there is the widespread approval of the product concept.
- The number of competitors will begin to increase.
- Either modifications of the original product or completely different products for the same purpose will appear.
- By this time production methods will have been established, with a frequent lowering of costs

Product Life Cycle...

- Prices will tend to go down for two main reasons:
 - Increased sales will make some economies of scale possible
 - Increase in the number of competing firms leads to both a theoretical and an actual tendency toward lower prices.
- The growth stage sees promotional activities devoted to the stimulation primarily of selective demand

Price

- It is the amount of money charged for the product /services.
- It is the second most important element in the marketing mix
- It is the only element marketing mix that produces **revenue** and all other elements represent costs
- Price is also one of the **most flexible** elements of the marketing mix elements which can be changed quickly.
- Unique component of marketing mix which makes profit, other components represent expenses.

Price...

- Pricing must take into account:
 - Fixed and variable costs.
 - Competition
 - Company objectives.
 - Proposed positioning strategies.
 - Target group & willingness to pay.
 - Demand and supply

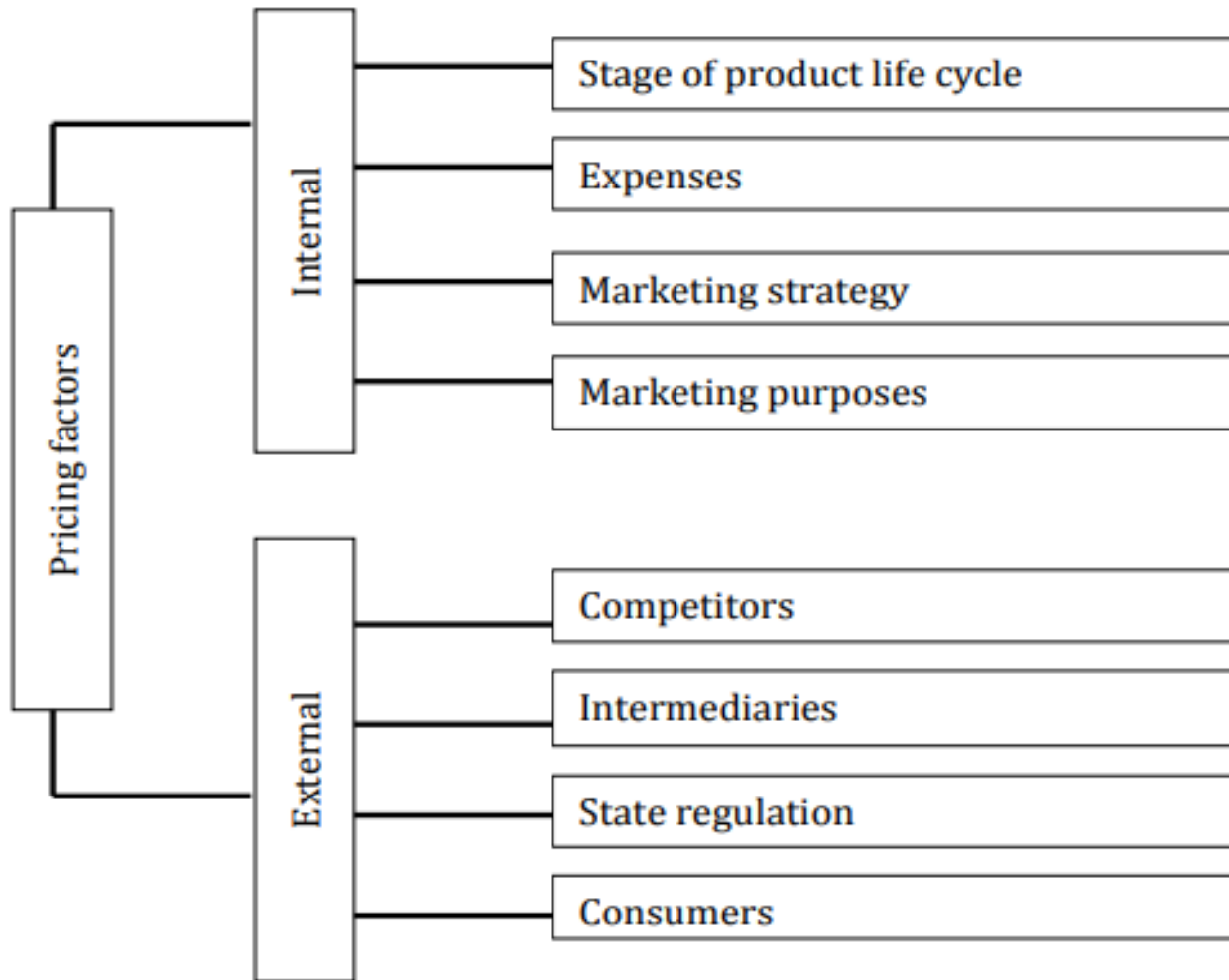
Price...

- **Pricing Objectives**
 - Survival
 - Sales oriented objective/Revenue
 - Profit maximization objective
 - Status quo oriented objective

Pricing Factors

- Influence of internal and external factors
- Internal factors influencing pricing, concern:
 - Marketing purposes of firm
 - Marketing strategy,
 - Expenses and
 - Stage of product life cycle

Pricing factors



Pricing factors...

- Pricing depends also on stage of product life cycle.
- **Introduction stage**
 - Two price strategy can be used:
 - “Skimmed of cream” (for example, a medical product viagra); -
 - “Penetration on the market”
 - An establishment of extremely low price
- **Growth stage:**
 - There are competitors, but also there is a possibility of price maneuvering as a result of sales volume growth
- **Maturity stage:**
 - There comes an undesirable competition.T
 - Establishment of a real price demands exact definition of the moment of achievement by the maturity goods.

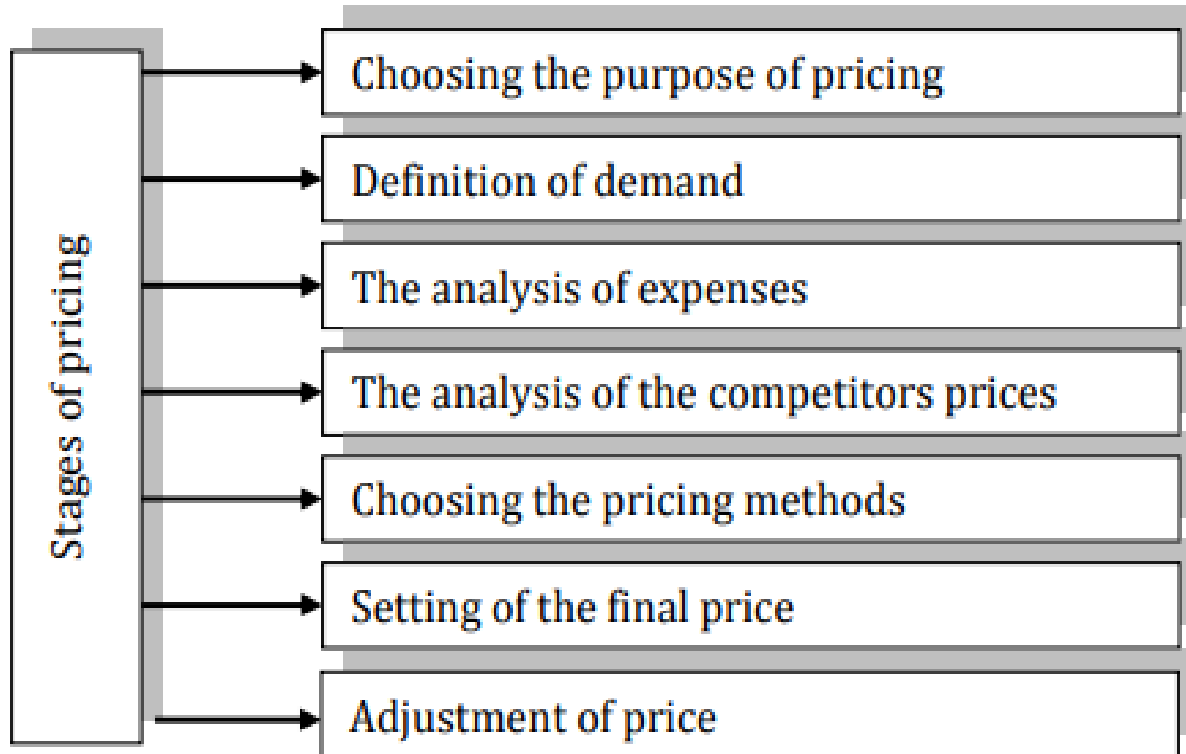
Establishment of the price for the goods

- Pricing is carried out by the enterprise according to accepted price policy and strategy.
- **Price policy:**
 - It is the complex of measures including
 - Determining of the price,
 - Extra charges and discounts,
 - Conditions of payment for the goods and services,
 - Management of the prices taking into account preferences and possibilities of consumers on maintenance of profit of the enterprise-manufacturer or the seller.

Establishment of the price for the goods...

- The making policy of the prices working out of price strategy of the enterprise is.
- Pricing strategy are basic directions, actions and the methods directed on achievement of the purposes of the enterprise, established by a management.

Establishment of the price for the goods...



Stages of setting price for goods

Establishment of the price for the goods...

- Any organization (firm) should define accurately for itself that wishes to reach by maneuvering in prices, what aim of pricings?
- In the marketing theory and its practical realization in the form of the certain price policy three main objectives of pricing have the greatest value:
 - Maintenance of a survival of firm
 - Increase or profit maximization
 - Market retention

Establishment of the price for the goods...

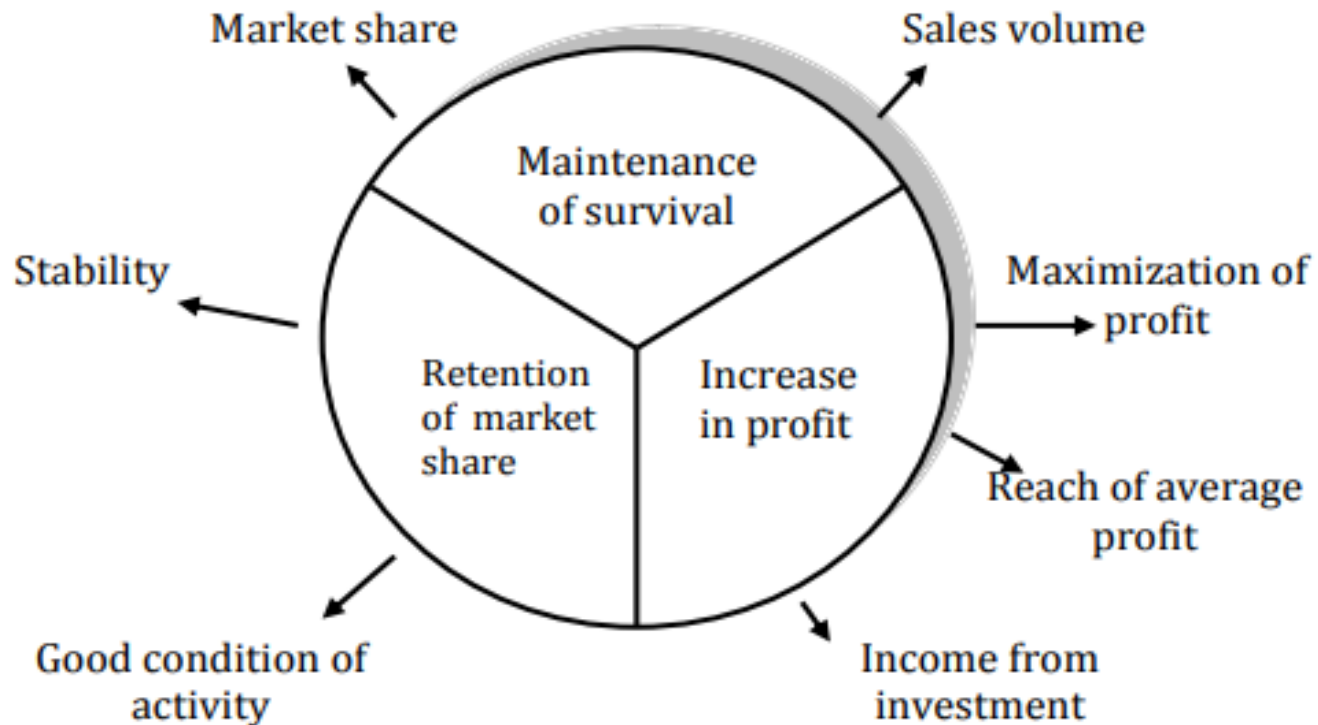


Figure: The possible purposes of a price policy

Methods of fixing price

- Broadly divided into the following categories
 - Cost based pricing
 - Competition based pricing
 - Demand based pricing
 - Objective based pricing

Methods of fixing price...

- **1. Cost Based Pricing**

- Price of the product is fixed by adding the amount of desired profit margin to the cost of the product.
- **Example:** If a particular medicine costs the marketer \$8 and he desires a profit of 25%, the price of the soap is fixed at $\$ 8 + (8 \times 25 / 100) = \$ 10$.
- All costs (variable as well as fixed) incurred in manufacturing the product are taken into consideration

Methods of fixing price...

• 2. Competition Based Pricing

- In case of products where market is highly competitive and there is negligible difference in quality of competing brands, price is usually fixed closer to the price of the competing brands
- It is called 'young rate pricing'
- It is a very convenient method because the marketers do not have to worry much about demand and cost and effect the change as per the changes by the industry leaders

Methods of fixing price...

- **3. Demand Based Pricing**

- At times, prices are determined by the demand for the product
- Under this method, without paying much attention to cost and competitors prices, the marketers try to ascertain the demand for the product.
- If the demand is high they decide to take advantage and fix a high price
- If the demand is low, they fix low prices for their product

Methods of fixing price...

• 4. Objective Based Pricing

- It is applicable to introduction of new (innovative) products.
- If at the introductory stage of the products, the organization wishes to penetrate the market
 - To capture large parts of the market and discourage the prospective competitors to enter into the fray, it fixes a low price.
- Alternatively, the organization may decide to skim the market
 - i.e., to earn high profit by taking advantage of a group of customers who give more importance to their status or distinction and are willing to pay even a higher price for it.
 - In such a situation they fix quite high price at the introductory stage of their product and market it to only those customers who can afford it.

PLACE : Distribution and distribution channels

- **Distribution**

- It is the transfer of goods from producer to consumers.

- **Channel of distribution**

- Group of individuals and organizations/peoples set in place to facilitate the transfer/ flow of products from origin (producers) to destination (customers)

- **Major role of marketing channels:**

- To make the products available at the right time, at the right place and in the right condition.

Types of Channels of Distribution

- **A) . Zero stage channel of distribution**
 - Exists where there is direct sale of goods by the producer to the consumer.
 - This direct contact with the consumer can be made through door-to door salesmen, own retail outlets or even through direct mail.
 - In case of perishable products and certain technical household products, door-to-door sale is an easier way of convincing consumer to make a purchase

Types Of Channels Of Distribution...

- **B) . One stage channel of distribution**
 - The manufacturers sell their goods to retailers who in turn sell it to the consumers.
 - There is one middleman i.e., the retailer.
 - This type of distribution channel is preferred by manufacturers of consumer durables

Types Of Channels Of Distribution...

- **(C) .Two stage channel of distribution:**
 - This is the most commonly used channel of distribution for the sale of consumer goods
 - In this case, there are two middlemen used, namely, wholesaler and retailer.
 - This is applicable to products where **markets are spread over a large area, value of individual purchase is small and the frequency of purchase is high.**

Types Of Channels Of Distribution...

- **(D).Three stage channel of distribution**
 - Applied when the number of wholesalers used is large and they are scattered throughout the country,
 - Manufacturers often use the services of mercantile agents who act as a link between the producer and the wholesaler.
 - They are also known as distributors

Factors affecting the Choice of Distribution Channel

- Nature of Market
- Nature of Product
- Nature of the Company
- Middlemen Consideration

Promotion

- **Promotion:**
 - Refers to the process of informing and persuading the consumers to buy certain product
 - Marketers convey persuasive message and information to its potential customers.
 - The main objective of promotion is to seek buyers' attention towards the product with a view to:
 - Arouse his interest in the product
 - Inform him about its availability; and
 - Inform him as to how is it different from others.

Promotional mix

- A firm uses different tools for its promotional activities;
 - Advertising
 - Publicity
 - Personal selling
 - Sales promotion

Promotional mix...

- **Advertising:**

- It is a paid form of **non-personal communication** through different media about a product, idea, a service or an organization by an identified sponsor
- It is the most commonly used tool for informing the present and prospective consumers about the product, its quality, features, availability, etc.
- It can be done through print media like newspaper, magazines, billboards, electronic media like radio, television, etc.
- It is a very flexible and comparatively low cost tool of promotion

Promotional mix...

- **Personal selling:**

- It is a direct presentation of the product to the consumers or prospective buyers.
- It is person-to-person dialogue between buyer and seller,
 - Where the purpose of this face-to-face contact is to persuade the buyer to accept a point of view or to convince the buyer to take a specific course of action.
- In other words personal selling is a person-to-person process by which the seller learns about the prospective buyer's wants and seeks to satisfy them by making a sale.
- It uses salespersons to persuade the buyers to act favorably and buy the product.
 - Companies knocking at your door and persuading you to buy their product.
- It is most effective promotional tool in case of industrial goods

Promotional mix...

- **Sales promotion:**

- Refers to short-term and temporary incentives to purchase or induce trials of new goods.
- It is the means of communicating with the target audience in a way that is not possible by using other elements of the promotion mix
- Those promotional activities other than personal selling, advertising and publicity that are intended to stimulate buyer purchases or dealer effectiveness in a specific time period
- It is any activity that offers an incentive for a limited period to obtain a desired response from the target audience or intermediaries (wholesalers and retailers).
- The tool include contests, games, gifts, trade shows, discounts, etc.
- Sales promotional activities are often carried out at retail levels.

Promotional mix...

- **Publicity:**

- It is a non-paid process of generating wide range of communication to contribute a favorable attitude towards the product and the organization.
- Responding to requests from media
- Supplying the media with information on events and occurrences
- Carry the information about the viewpoint of the organization Credible message
- No media cost
- Loss of control of publication
- Loss of control of content
- Loss of control of timing

- **Functions of Public Relations**

- Facilitates company's overall operations
- Aids promotion
- Helps in tackling social and environmental issues
- Ensures that customers are treated well
- Helps in attracting and retaining talented employees
- Stakeholders give it benefit of doubt
- Develops reputation as a good supplier and customer
- Responds effectively to negative publicity

Promotional MIX: Summary

Elements of Promotion Mix/Marketing Communication Mix

Evaluation Factor	Advertising	Publicity	Personal Selling	Sales Promotion
1. Objective	To appeal to mass audience at reasonable cost, with an aim to persuade and inform	To reach masses with an independently (i.e from a source other than company) message	To deal with one customer at a time to answer questions at	To stimulate sale and to motivate individuals to buy on impulse
2. Audience	Mass customers	Mass (customers, employees, stakeholders)	Small (one/few)	Mass
3. Message	Uniform (same for all)	Uniform for one category of audience	Specific to each customer	Generally same
4. Cost	Low per audience	No	High per customer	Depends on sales promotion scheme

Effective Pharmaceutical Marketing communication

Introduction to effective communication

- **Communication:**
 - It is the process of influencing others behavior by sharing ideas, information or feelings with them
- Marketing orientation requires that communications (promotion) activities should generate value exchange processes between the company and its environment.

Introduction to effective communication

- **Marketing communications**

- It is the means by which firms attempt to inform, persuade, and remind consumers, directly or indirectly, about the products and brands they sell.
- Set of information (signals) sent by the company from various sources towards not only its own customers, but also towards other entities in its marketing environment (suppliers, intermediaries, competitors, opinion leaders etc.) and a set of information gathered on the market (data on consumer preferences and needs, economic development trends).

Elements of Communication Process

- Marketing communications on the pharmaceutical market may be analyzed both as a process and as a set of tools with specific properties.
- The communications process on that market covers three essential elements:
 - Message senders (Sender)
 - Message content (Message)
 - Channels through which the messages are transmitted, (Medium) and
 - Message receivers (Receivers)
 - Feedback

Elements of Communication Process...

- **Sender:**

- It is also called the 'source'
- It is the party who sends the message to another party called the receiver or destination
- The sender is engaged in the mental process of putting thought into a form in which it can be communicated
- The maker of the brand is the sender of the advertising message

Elements of Communication Process...

- **Receiver:**
 - Person for whom the message is intended and is an active part of the communication process.
 - A message by the receiver depends upon the receiver's attitudes, values, previous experience, needs and the timing of the message

Elements of Communication Process...

- **Encoding:**

- The process of putting our thought into symbolic forms
 - Translating the idea to be communicated into a symbolic message consisting of words, pictures, numbers, gestures, etc.
- When we address someone, we use language, visuals, body gestures to communicate.
 - All these are called symbols

- **Message:**

- It is a combination of symbols representing objects or experiences that a sender transmits in order to induce a change in the receiver's behavior

Elements of Communication Process...

- **Medium (Media):**

- It is a means by which the sender conveys the message to the receiver.
 - Channel used for sending the message across to the receiver
- Broadly there are two types of media:
 - Inter personal media
 - Mass media

Elements of Communication Process...

- **In inter personal medium;**
 - There is a direct contact between the sender and receiver
 - For example, in personal selling, salesperson contacts the customers and directly communicates about 'the product.
 - Communication flows in both directions and the salesperson receives immediate and direct feedback.
 - This enables the salesperson to have greater control over the communication process.

Elements of Communication Process...

- **Mass media:**

- Non-personal communication media which provide contact between the sender and a large number of receivers simultaneously.
 - **Example :** Newspapers, magazines, television, radio, hoardings, billboards, etc.,

- **Decoding:**

- It is the process by which the receiver attempts to convert symbols conveyed by this sender into a message.
- Receivers may 'decode or interpret the message in different ways because of their individual characteristics, experiences and backgrounds

Elements of Communication Process...

- **Response:**

- Receiver responds to sender's message by reacting in different ways such as asking questions, buying or not buying the product or seeking more information, etc.
- Response is a set of reactions a receiver has after being exposed to the message

- **Feedback:**

- It is the communication from a receiver to the sender about how he/she understood the message and reacted to it.
- It is reverse flow of communication, receivers encode their messages and send them to the sender. the sender must then decode the feedback message.
- Feedback is more direct, more frequent and more immediate when interpersonal communication (sales personnel) channels are used
 - e.g. salesperson to prospect

Elements of Communication Process...

- **Noise:**

- Anything that interferes with the communication process so that the receiver gets a message which is different from the one the sender sent or gets no message at all
- Noise can affect any or all elements of the communication process
 - For example, if there are too many advertisements of the same product (different brands)

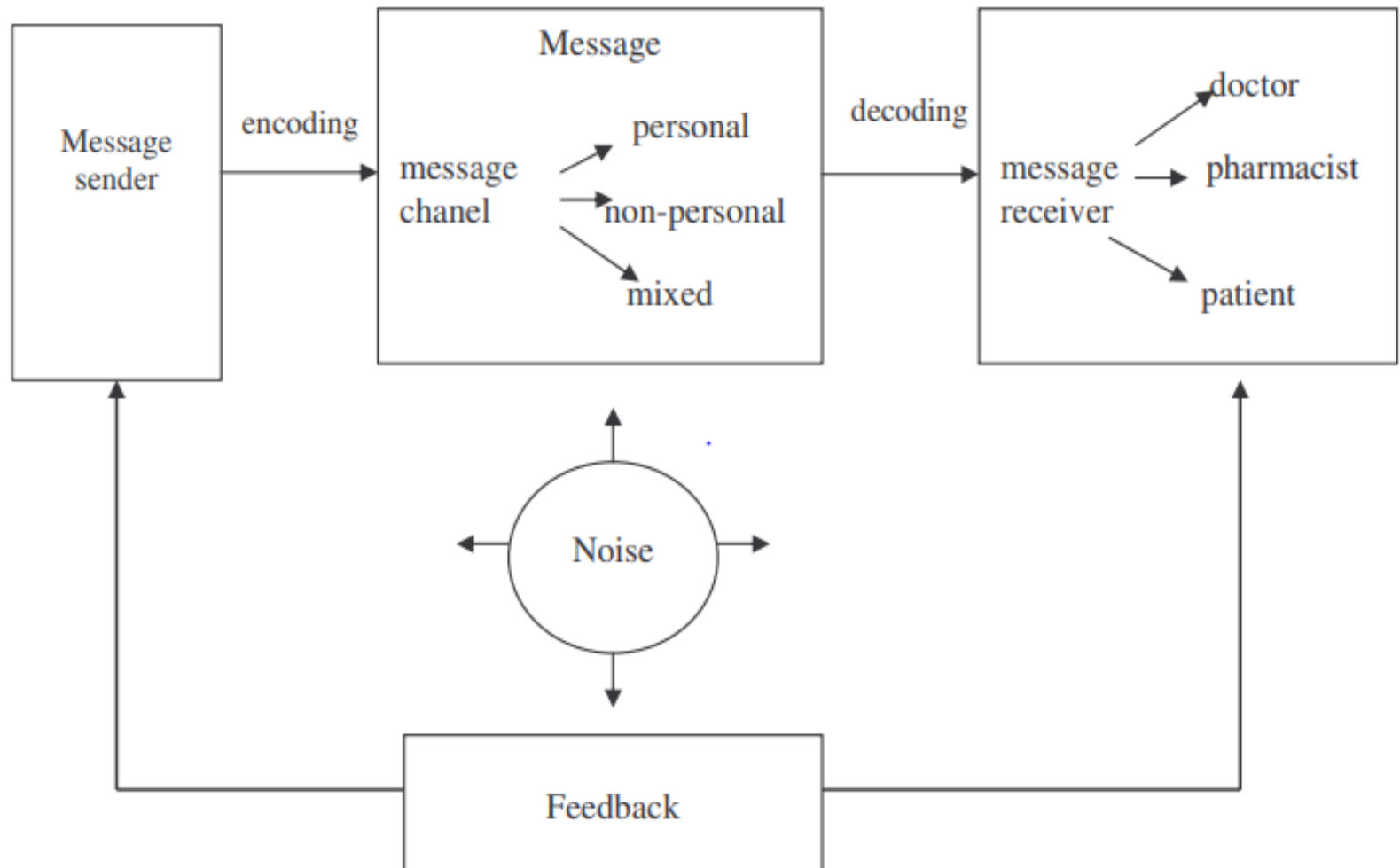
Essence of the marketing communications process

Communication process elements on the pharmaceutical market

Message senders	Message (content) Communication channels	Message receivers
- drug manufacturer - medical representative - doctor/hospital - wholesaler - pharmacy - state authorities - institutions in charge of health care sector operations - other	Message - drug properties - application - dosage - activity - effects (desired, adverse) Channels - personal - non-personal - mixed	- patient - doctor - wholesaler - pharmacist - competitors - non-pharmacy outlets - other

Model of the marketing communications process on the pharmaceutical market

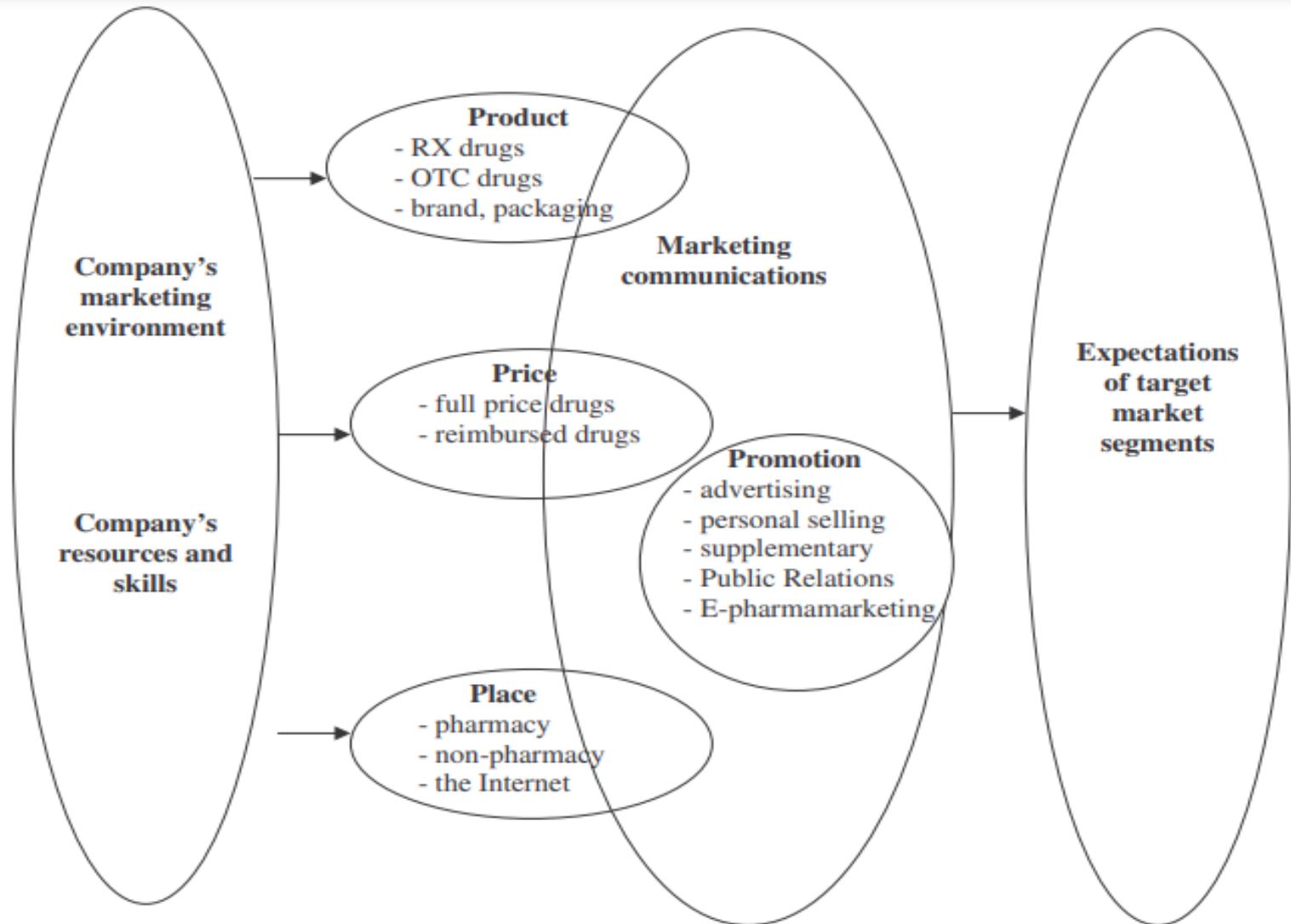
Model of the marketing communications process on the pharmaceutical market



Factors determining marketing communications processes on the pharmaceutical market

- Most frequently cited factors include:
 - The type of needs to be satisfied
 - The type of drug
 - Buyer habits and preferences
 - The laws in force
 - Market globalization processes, increasing competition
 - The development of new marketing communication technologies

Integration of marketing communications with the marketing mix



Steps in Developing Effective Communication Mix

- **1. Identifying the Target Audience:**

- A marketing communicator starts with a clear target audience in mind
- The audience may be potential buyers or current users, those who make the buying decision or those who influence

- **2. Determining the Communication Objectives:**

- Include awareness, knowledge, liking, preference, conviction, and purchase

- **3. Designing a Message:**

- Message should get attention, hold interest, arouse Desire, and obtain Action (a framework known as the AIDA model)

Steps in Developing Effective Communication Mix

- **4. Choosing Media:**

- The communicator now must select channels of communication.
- Two broad types of communication channels
 - Personal Communication Channels
 - Word-of-mouth Influence
 - Non-personal Communication Channels

- **5. Selecting the Message Source**

- **6. Collecting Feedback**